

The Russian Monetary System from the Kievan Empire to 1897

By Anton Seljak, © MoneyMuseum (translated by Graham Pascoe)

The development of the Russian monetary system up to the rouble of today is a long story. It begins with the emergence of the very idea of money during the pre-Mongolian Kievan period (10th–13th centuries), the Mongolian period, and the Muscovite period (13th–17th century), continues through Peter the Great's currency reform, the introduction of paper money and the Russian monetary system in the second half of the 18th century, and ends with the consequences of all that in the 19th century.

Fixed-rate barter goods: cattle, skins and foreign silver coins

Soviet Russian historiography always assumed that in the eastern Slav settlements, even before the foundation of the Kievan empire (*Rus*) in the 10th century, there were fixed exchange rates between money and goods based on the Arab coinage system. Although finds of silver hoards suggest that there was indeed a constant and extensive flow of silver into *Rus*, it does not necessarily follow that there must therefore have been money in circulation that affected the peasant economy.

During the Kievan period, cattle (*skot*), skins of small animals and precious metals were evidently used as fixed-value barter goods. It has been shown that until the end of the 12th century cattle were used as a yardstick, but were probably not used as a practical unit of exchange in the market, but rather as a general measure of wealth. But cattle were soon replaced as a measure of value by the skins of small animals – people conducted trade by handing over furs, whose durability, transportability and divisibility made them suitable for such a purpose and made them into the most important item of export as well as a generally accepted yardstick for barter transactions. Written sources speak of such units of payment as *kuna* (marten's fur, from *kunitsa*, a marten), *belka* or *veksha* (squirrel), *veveritsa* (ermine) and *nogata* (fur with legs, from Arabic *nagd*, a good or full-value coin), and also of pieces of fur (*resana*), muzzle furs (*mordka*) and paw furs (*lapka*).

Although the word *serebro* (silver) became more and more common to denote money, the Old Russian words *kuna* and *nogata*, inherited from the old "fur money" or "leather money," retained their meaning as metal money in some documents. Thus the change to a different weight and appearance of the currency did not necessarily result in the abandonment of the old names. The fact that in *Rus* foreign money was also in circulation, such as Byzantine silver coins and the dirhems of the Arab Caliphate, demonstrates the importance of long-distance trade and reveals the foreign-trade relations of *Rus*, without, however, indicating the existence of a developed internal money economy.

The change from fur to silver

The oldest Russian unit of value was the *grivna*, based on the Arab coinage system. From the 10th century onwards it became the actual unit of payment in markets. It was a unit of money and of weight at one and the same time – its value corresponded to that of 96 gold dinars (*s[o]lotniki*) or 144 silver dirhems (*s[e]rebreniki*), which latter were small pieces of silver which probably developed out of princely seals applied to goods. The term *grivna* has a complex history; it

originally referred to a kind of neckband or necklace common among the Slavs, and it still survives in the colloquial name for a 10-copeck coin, *grivennik*.

Researchers assume that originally a *grivna kun* (from *kunitsa*) was equivalent in value to a certain number of furs or foreign silver coins, and thus entered the barter system as yet another unit of value. On the basis of the *grivna kun*, there were further subdivisions into *nogata*, *kuna* and *retsana* or *veksha*, and *veveritsa*.

After a last phase of consolidation of the Grand Duchy of Kiev under Vladimir Monomakh (1113–1125), the separatist forces gained the upper hand, and the Kievan Empire began to fall apart. The consequent economic stagnation meant that there could have been no great increase in the demand for means of exchange. This is shown among other things by the fact that the last of the few Russian coins minted in the 11th century were from the time of Monomakh.

Since western coins such as bracteates were steadily decreasing in value, the silver coins were replaced at the beginning of the 12th century by silver bars. Gold bars, however, were seldom made. The appearance of a silver *grivna* in bar shape was a consequence of the changes in the material of the imported silver. Since Old Russian merchants accepted silver solely on the basis of its material worth, not of its monetary value, their western trading partners were forced to issue bar silver. This was in the shape of various different kinds of bars, was often cut into pieces, sometimes beaten flat at the ends, and of varying weights.

Since Novgorod, with its close connections with the German Hanse, was the centre of Russian silver imports, the Novgorod *grivna serebra* was the most widely used. The *grivny* of Kiev and Novgorod were standardised silver bars, which however were quite different from each other. Whereas the hexagonal Kiev *grivna* was relatively consistent in shape and weight, weighing an average of 159 grams, the Novgorod *grivna* was rolled flat and frequently varied in shape and size, averaging about 200 grams.

The so-called "coinless period" (from the 12th century till the second half of the 14th century) was not marked by an abandonment of silver in coin form, but was simply a consequence of the replacement of coined silver by bar silver in barter trade with Western Europe.

Mongolian rule, the rise of Moscovy, and the Muscovite period

In the 13th and 14th centuries furs continued to have the function of a real means of exchange. All taxes and tributes, for example, were exacted in squirrel furs. Whether there also existed other measures of exchange value such as glass beads or cowrie shells, however, is a moot point.

Local issues of coins, which can probably be attributed to territorial or fiscal purposes rather than economic considerations, and were also a consequence of the rise of patriotism and the increasing sense of independence of many grand dukes or regional princes, first appeared in the grand duchies of Moscow, Ryazan and Susdal-Nizhni-Novgorod in the second half of the 14th century.

Although the word for the first Old Russian coins, *denga*, is of oriental origin (from Mongolian *tengah*), and although in the border regions of *Rus* foreign coins influenced the weight of the silver

dengi, the Old Russian coinage is not a direct descendant of the Tartar monetary system. For a long time the *denga* was the basic monetary unit – in some centres the only one – and from about the second half of the 14th century onwards it supplied the general term for "money" (*dengi*), which is still current in Russia. In several different principalities the *poludenga*, the half-*denga*, was gradually introduced, whereas some other places, such as for example Pskov and Novgorod, preferred the *chetverets*, which was a quarter of the weight of the local *denga*.

The basis of the coinage was the *grivna serebra* of about 200 grams, as a unit of weight, and the *grivna kun* as a unit of accounting, which differed from region to region in the number of coins it comprised.

The rouble

A piece of birch-bark found in Novgorod in 1952 and dated to the 13th century bears an inscription that includes for the very first time the word for a new, large unit of payment: *rubl* (also *tin*, meaning "notch"). The word had its origin in the circulation of silver, and from 1316 onwards is found more and more often in historical chronicles. In Novgorod from the mid-13th century the word *rubl* was used to refer to the local *grivna serebra*, in other words for the **whole** silver bar. This Novgorod rouble was often cut with a chisel into two halves each weighing about 94 grams, called *poltiny*, from *pol-* = "half" and *tin*, rouble. These *poltiny* were sometimes marked with one or two stamps, and were mentioned in Novgorod chronicles as real units of payment.

Since in eastern Russia the *poltina*, i.e. **half** of the Novgorod rouble, was also referred to as *rubl*, it is important to distinguish between the "heavy" Novgorod rouble and the "light" Muscovy rouble. Experts are agreed that the rouble was the basis for the coinage, in other words that a certain number of *dengi* were minted from it, but there is still controversy as to whether the Muscovite coinage – in contrast to that of Novgorod and Pskov – was based on the *poltina* rouble or the *grivna* rouble.

Since the reduction of the weight of coins, by laws made for that purpose, was so lucrative for princes, the number of *dengi* soon became fixed as the "counting rouble." The rouble, hitherto a standard of weight and a unit of payment, now became a unit of account. The introduction of coins in various centres of population led to the rouble's becoming divisible and also, as smaller units of payment, exchangeable. Given that from that point on, a variable weight of coin formed the basis of the new coinage system, the rouble in circulation lost its role as a fixed-weight unit of payment and retained only the function of a unit of account.

The etymology of the word "rouble"

The word *rubl* comes ultimately from the verb *rubit* (to chop off, to strike off). However, it is unclear exactly what process it refers to in the making of bars or coins. What is certain is that the term *rubl* arose out of the use of silver in circulation and that in the 13th century it replaced the previous name for the Novgorod silver bar. But it is still unclear whether the "chopping off" refers to the making of silver bars, involving the "chopping off" of roubles from longer silver rods with a chisel, or whether it simply refers to the making of roubles out of "chopped" silver wire, in such a way that the silver bars were pulled out into wire, which was then divided into pieces of roughly the same weight. These "blanks" were then flattened and stamped between dies.

Since the word *rubl* was originally used for the individual silver bars, however, it seems more likely that the verb *rubit* was connected with the working of molten silver into bars.

Money and internal markets in the Muscovite period

Since the coins were comparatively heavy, it is unlikely that they achieved any deep penetration into the Russian economic system. Neither regional nor local trade requirements made it necessary to mint coins – long-distance trade was still too dominant and derived its importance from the bartering of raw materials for precious metals and luxury goods, which meant that it only rarely came into touch with local markets. The change from barter to a money economy is more probably attributable to the growing need of princes for money, since they began to exact tax payments in the form of money. This conjecture is supported by the fact that the minting of coins was not accompanied by the development of a properly graded and functional currency system.

The currency reform of 1534

The currency reform introduced in 1534 by Yelena Glinskaya, the mother of Ivan IV ("Ivan the Terrible"), standardised the Old Russian monetary system and set up a fixed relationship between the currencies of Moscovy, Novgorod and Pskov, on the basis of a decimal system. From then on the basic unit consisted of 100 parts – initially roubles were not minted as actual coins. Moreover, the *grivenka* of silver, which weighed about 204 grams and thus corresponded to the *grivna-rubl* of the 14th century, was now minted not into 2.6 roubles' worth of coins, but into 3 roubles' worth, which brought a considerable profit into the state treasury. And the government was in need of money, thanks to increased foreign trade with Western Europe and increasing production of precious metal in Russia itself. Gold and silver were also used for non-monetary purposes, such as the working of precious metals into articles of royal or religious display.

The new "heavy" *denga*, called the *Novgorodka*, whose later name *kopeyka* (from *kopjǒ*, a spear) arose out of its design of a rider with a spear, was adopted in Moscovy after the conquest of Novgorod in 1478 by Ivan III. Although there were a whole series of names for the half, quarter or tenth of a rouble, the only actual coins in circulation were the *kopeyka*, the *denga* and the *polushka*, in the ratio $1 \text{ rubl} = 100 \text{ kopeyki} = 200 \text{ dengi} = 400 \text{ polushki}$. In the course of the currency reform, the circulation of the old silver coins was prohibited. Until the middle of the 17th century the copeck was not only the highest-value unit, but also more or less the only one.

Due to its ever-present lack of raw materials, the Muscovite empire depended on imported silver in the 16th and 17th century. These imports were conducted primarily by means of trade with Western Europe, although now silver bars were no longer imported, but large silver coins, above all German talers (*jefimki*, originally "Joachimstaler"). Since, however, both the circulation of foreign coins and the export of Russian coins were prohibited, Russian mints reminted imported coins into copecks. After 1534 all minting was limited to the mints in Moscow, Novgorod and Pskov.

The currency reform of 1654

It was not until the Polish-Swedish conflicts at the beginning of the 17th century and the costly wars it caused that the monetary system set up in 1534 underwent significant changes. Once the state's monetary reserves were exhausted, even the tsar's treasures had to be melted down in 1610.

To cover the costs of the war, the tsarist government devalued the circulating money in a series of stages.

The changes gradually introduced by Tsar Alexei Mikhailovich in his currency reforms between 1654 and 1663 on the one hand swept away the old regulations and ordinances surrounding the coinage economy, but on the other hand undermined the Russian currency in a lasting way.

The right to mint coins, which had hitherto been liberally granted, was now held exclusively by the state. Not only that; in 1654 the decision was taken to leave the old silver copecks in circulation and in addition, by over stamping or counter stamping of talers whose original designs and inscriptions had been obliterated by being hammered flat, to issue the very first round (but not quite full-value) rouble coin: *jefimki s prisnakom* (*jefimki* with a marking). In addition, *polupoltiny* (quarter-roubles) were issued, made of quartered talers.

The rouble and the *poltina*, which until then had only served as units of account, acquired a new value on coins minted from foreign silver. However, this combination of Russian and foreign silver money was only a short-term – and shortsighted – expedient to finance the war. That was also the idea behind the most important aim of the reform: the issue of copper money. The most important issues were large copper coins (*poltinniki* = 50 *kopeyki*), but there were also small copper coins worth various numbers of copecks.

The silver *jefimki* remained in circulation until 1659, when they were bought up in exchange for copper *dengi*, together with the 1654 roubles and the *polupoltinniki*. Since the face value of the copper rouble was only 1.2 per cent of its material value, the new coins were rejected by the people from the beginning. The monetary crisis was also exacerbated by the appearance of large quantities of copper and silver counterfeit money, which was produced abroad – for example in Poland – and brought illegally into Russia.

The unwelcome consequences of the reform

Soon, silver disappeared almost totally from circulation. The extensive issues of undervalued copper coins led to speculation in copper copecks, which drove food prices to dizzy heights. All trade based on money ceased, which especially hit urban artisans and servants, but also the merchants who kept internal trade going.

Constant famines and uprisings (the Moscow "copper revolt," 1662) against the increasing decay of the currency eventually forced the government to take a series of emergency economic measures, to withdraw the copper copecks in 1663 and to return to the old monetary system by reintroducing a silver coinage, in other words to stabilise the value of the currency.

Despite the reform of 1654, the monetary system of 1534 – weakened and in disarray – lasted until the reign of Peter I ("Peter the Great"), and left a problematical legacy. There were many factors which worked against the introduction of a copper coin into circulation, and for a long time the people retained bad memories of Alexei Mikhailovich's copper coins.

As a result of the "copper crisis" of 1662–3 and the rigorous devaluation of the copper coinage, the Russian money economy was in such a parlous state by the end of the 17th century that the lack of circulating money hindered not only trade but also the charging of taxes. The failed experiment with a copper currency brought about all the monetary and credit problems that were to plague the Russian economy until late in the second half of the 19th century.

Peter the Great's reform: towards today's Russian currency

It was not until the reign of Peter the Great that the Russian currency and coinage systems that had been in force since 1534 came to an end. The sheer volume of new military and civilian expenditure put such strain on the state budget that the unpropitious time for carrying out such a currency reform was outweighed by the fact that the old currency and economic system was proving increasingly incapable of supporting the new conditions. The silver copeck, for example, had after several weight reductions by the end of the 17th century become a minuscule coin that could no longer fulfil the demands of the market – large transactions in copecks took far too much time to count out, and often had to be left to professional money-counters.

The monetary reforms undertaken during the reign of Peter I (1689–1725) remained fundamentally influential for a long time. The currency reform was prepared with great care during the last decade of the 17th century. While the consolidation of its influence took several years, the most important elements of the new currency system emerged between 1700 and 1704.

The central feature of the reform was the creation of a coin with a face value comparable to that of the taler, together with its division into various silver and copper coins. The simultaneous circulation of both metals restored confidence in copper. The counting of money was simplified on the basis of a completely decimal system which was actually reflected in the actual coins – from now on, sums of money were only expressed in roubles and copecks. The new Russian currency system of 1704 set a new trend – it was the very first of all the decimal currency systems that originated in the 18th century in Western Europe and America. A decimal currency was introduced in the United States in 1792, and in France in 1795. An ordinance of 1700 prepared the introduction of the silver rouble as the sole unit of currency and account and likewise as the largest Russian silver coin.

The rouble becomes a truly European coin

The fact that from now on the rouble was identical in weight and silver content to the taler, the only coin that was accepted throughout Europe, facilitated its integration into European currency systems. The additional issuing of small copper coins with a value of less than a copeck was for the purpose of ensuring a better money supply, although undervalued copper coins were minted from the beginning. The basic purpose behind the replacement of the old silver coins by a monetary system based on the silver rouble and the copper copeck was to replace "good" silver money by inferior silver and copper coins. For Peter the Great, money was "the artery of war," and the shortage of money caused by the wars led to a lasting exploitation of the coinage.

Special medals were instituted, so that the ordinary gold coins, which had until then been used especially widely as distinctions, lost their original character and began to circulate as ordinary money alongside the silver and gold coins.

In 1723, large copper coins with a face value of 5 copecks began to be issued, which laid the foundation for the "system of five-copeck pieces," whose inflationary influence was to be felt well into the 19th century.

The copper coins soon became the only ones in circulation, since this was the only way of obtaining income for the state, which even tax increases could not supply. The minting of copper coins temporarily satisfied the demand for small change, freed part of the silver for the minting of larger coins, and for the state, which had hardly any silver supplies of its own, opened up a whole range of opportunities.

Thus one of the most characteristic features of the period of copper money and the succeeding period of the "assignats" was the artificial expansion of the volume of money in circulation. The Russian state attempted to counter the flood of expenditure caused by the interminable wars exclusively by means of the adulteration and over-issuing of its money. That led, however, to an increasing discrepancy between the value of money and the value of silver, which impeded trade and the economic development of the country.

Measures taken from 1750 onwards to stabilise the currency, and which brought temporary relief, were constantly undermined by preparations for new wars and the resultant worsening of the financial situation, which was bad to start with. Yet again, the financing of these burdens could only be achieved by means of a lowering of the quality and an increase in the quantity of the copper coins in circulation. As a result, the Russian economic system, based as it was on agriculture and small-scale craftsmanship, was at no time adequately supplied with money. The quantity and quality of the large copper coins in circulation depended not on the actual needs of trade, but solely on the financial needs of the state.

The introduction of paper money

In 1769, in the reign of Catherine II ("Catherine the Great"), as a consequence of the Russo-Turkish War (1768–1774) and the consequent costly expansion of the Russian administration, the first Russian paper money was issued, called "imperial assignats" (*assignatsii*), after the French "assignats" or promissory notes. These promissory notes were not covered by any holdings of precious metals, but were based solely on the state's promise to pay. Russia thus joined the list of countries that issued paper money in an attempt to pay state deficits caused largely by wars, and at the same time to introduce more convenient units of payment for use in their developing internal markets. However, it was in very few countries that political crises led to such a lasting disruption of the currency as in Russia, whose paper-money economy was destined to inflict deep scars on society and to leave a heavy legacy.

The assignats were issued and redeemed in St Petersburg and Moscow by specially founded "assignat banks," initially in notes worth 25, 50, 75 and 100 roubles, and as a kind of surrogate money permitted a considerably more profitable management of the state money monopoly than had the constant manipulation of the repertoire of coins.

The paper rouble established itself alongside the silver rouble as a second unit of currency and account, and from 1769 to 1849 an official distinction was made between the silver rouble (*rubl serebrom*) and the "assignat rouble" (*rubl assignatsiyami*), which distinction continued unofficially

for a while even after 1849. The free convertibility of the assignats was guaranteed by decree, but was limited to copper coins. By keeping the silver in the state treasury and the copper in circulation, the government hoped to achieve a more rapid circulation of money, and above all a strengthening of the state finances.

The initially restrained issues of assignats did indeed bring about a speeding-up of the money circulation, which had been impeded by the large percentage of copper coins. Since, however, the government did not cover the assignats by a sufficient reserve of precious metal, and soon began to print them in large quantities to cover the immediate credit requirements of the treasury, their value fell considerably. In addition, no compulsory exchange rate was laid down for the assignats, which meant that they did not have to be accepted like normal paper money.

The resulting inflation increased especially during the Napoleonic Wars, when an attempt was made to cover the vast costs of the war by an unlimited issue of paper money. The assignats lost their original function as a form of circulating credit intended to replace or supplement metallic money, and became a mere source of credit for the state. Even their convertibility into copper was no longer guaranteed, so that they lost their parity with both the silver and copper rouble. Once the assignats had forced the silver rouble out of circulation as an accounting coin and had become the sole yardstick of value, the problems posed by a non-existent gold or silver trading coin together with steadily disappearing silver or copper small change became only too apparent.

The 19th century: between currency crisis and currency stability

Despite the continuing devaluation of assignats and copper coins, the exchange of the paper rouble was not discontinued. After the government had tried several times to buy up the assignats, it recognised them in 1812 as the sole Russian currency. This decision resulted in a still lower exchange rate with metallic currency and further discredited the paper money among the people.

The currency reform of Yegor Kankrin

It was not until the currency reform carried out by finance minister Yegor Kankrin between 1839 and 1843 that the circulation of assignats ceased. In 1839, in conformity with the Russian currency tradition and the double standard current in Europe, the silver rouble was declared the sole unit of currency.

In 1840 the value of the silver rouble was fixed at $3\frac{1}{2}$ assignat roubles. In the same year a deposit bank was set up which was intended to receive precious metals and in return to issue "deposit notes" (*depositnye bilet*y or *deposutki*) backed by silver. Behind this temporary solution lay the intention of increasing the precious-metal reserves of the bank, increasing the currency and means of credit in circulation, and also to accustom the population to new paper currency notes.

In 1843 began the exchange of assignats for "credit notes" (*kreditnye bilet*y or *kreditki*), a process which took until 1852. The assignats themselves were demonetised from 1 January 1849. Although the deposit notes, together with any assignats remaining in circulation, were exchanged for credit notes as early as 1843, for a long time their name was used colloquially for credit notes. Credit notes were a fully valid paper currency which was exchangeable for silver and gold and circulated until 1917 in notes of 1, 3, 5, 10, 25, 50 and 100 roubles, and whose exchange was temporarily backed by reserves of precious metal. However, owing to their still limited backing by precious

metal, the credit notes were no more immune to devaluation than the assignats had been before them.

The Crimean War and its consequences for monetary policy

The Crimean War (1853–1856) caused the silver currency to collapse once more. Just like the assignats earlier, the credit notes served as an instrument of financial policy for the government and changed from a vehicle of value to a vehicle of credit. The over-issue of credit notes was accompanied by a gradual restriction of their convertibility, until in 1856 the banks ceased to exchange credit notes for silver or gold coins. Yet again the disadvantages and inflationary effects of a quantity of paper money that far exceeded the requirements of the economy became apparent.

As a result, many attempts were made to cut down on the increased issue of paper money in times of crisis and once more to reduce the total volume of paper money to a sixth of the reserves of precious metals.

The second half of the 19th century

After the Crimean War, the purchasing power of the credit notes sank ever further. It was not until 1862, immediately after the abolition of serfdom, that the Russian government decided to resume redeeming credit notes in exchange for hard cash, in order to restore the rouble's parity.

There was another extensive issue of paper money during the Russo-Turkish War of 1877–8. In 1876 the imperial treasury was permitted to raise the funds required to cover the cost of the war by taking out loans from the imperial bank, which responded by issuing new credit notes. Another financial crisis broke out in the early 1880s, during which the government was unwilling to undertake any significant restriction of the money in circulation. Towards the end of the 1880s all attempts to withdraw the credit notes issued during the Russo-Turkish War were finally abandoned. The general aim of gradually raising the exchange rate for the rouble to its old parity lived on, but was not destined to be realised.

The introduction of the gold currency

It was not until 1897 that a successful stabilisation of the rouble took place, brought about by the introduction of a gold-based monometallic currency. The reform of 1895–7 was the result of fundamental economic considerations by the finance ministers Ivan Vyshnegradski and Sergei Witte. Russia's change to a gold currency paralleled a highly significant development in the West: from the early 1870s onwards, silver had been suffering a steady decline in value, and was replaced by gold as the currency standard in such countries as Germany, the Scandinavian kingdoms, the Netherlands and the United States.

Russia had become an important supplier of grain to Western Europe, alongside the United States. That meant that the monetary systems of the grain-importing countries, and the standard metal that predominated in international monetary transactions, were bound to become vitally important for Russia. However, the aim followed by the Russian government in increasing grain exports was to obtain foreign currency or gold to finance industrialisation, without taking any account of the country's food supply, which led to the name "hunger exports" for the whole process.

The efforts of the finance ministry to consolidate the budget and strengthen the currency culminated in 1897 in the official introduction of the gold standard, which concluded the stabilisation of the rouble, which had been achieved by 1894. At the same time, the prerequisites for the attainment of international prestige by the Russian economy and currency, and hence for foreign investment in the Tsarist Empire, were met by the issuing of state bonds or direct investments.

The gold rouble replaced the paper rouble as the new unit of currency and became the basis of the Russian currency, which demoted the silver rouble to the status of small change. New gold coins were issued, such as the *imperial* of 15 roubles, the *poluimperial* of 7½ roubles, and the *1/3-imperial* of 5 roubles, and banknotes were exchanged for gold coins. The exchange rate between the credit rouble and the gold rouble was fixed at 1.5 : 1, and the issue of new banknotes was made dependent on the level of the gold reserves.

But all that glitters is not gold ...

The currency reform of 1897 introduced a properly organised currency system, the lack of which had inhibited the development of Russia's productive energies and exacerbated the mismatch between its foreign obligations and its economic capacity. However, many problems remained unsolved, especially as regards agriculture, for example that of raising agricultural productivity or relieving material suffering among the rural population.

Until well into the 19th century, successive Russian governments had shown themselves incapable of countering the shortage of money and credit by developing a thoroughly structured economic system that involved all economic sectors. Both economic resources and the tax revenue from the population in the expanding Tsarist Empire remained so limited that even in times of peace the financial strength of the state could only be made adequate for the maintenance of military power by prodigious efforts. However, the long periods of war, which sapped the economic strength of the state to a high degree, delayed and disrupted the emergence of a unitary national economic entity, and hence of a functioning monetary system.

The primary purpose of money, though, was not to promote the well-being of the Russian state and its subjects. The various monetary measures taken by the government were in fact carried out in order to finance wars or to restore the currency, which had been overstrained by military expenditure. Those monetary course-corrections were, however, incapable of functioning as motors for the state and private economy. Although the introduction of the gold currency standard in 1897 brought about a stabilisation of the rouble and made tsarist Russia more attractive for foreign investors, private purchasing power was initially a minor consideration. To put it in a nutshell: by neglecting to take far-reaching measures, affecting all economic sectors, in order to open up all sources of credit, the Russian state robbed itself of what it most needed: a dynamic, exploitable volume of tax revenue arising out of trade and industry. At the end of the 19th century, Russia had a range of economic and financial policies which were appropriate to its system, but which were "wrong," or at the very least anachronistic, for the introduction of a capitalist system of production.