

EKATERINA PRAVILOVA

RUBLE THE

A POLITICAL HISTORY



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*In memory of my teacher,
Boris Anan'ich
(1931–2015)*

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WHEN I TOLD my friends that I was writing a history of Russian money, some shrugged their shoulders and felt sorry for me. Others were very excited to hear about the project and welcomed my idea, and I am grateful for their enthusiasm. I am also grateful for the opportunity to prove that studying money, especially the ruble, can be fun and rewarding.

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and its economic expansion appeared riveting and exciting. My interpretation of the gold standard and Witte's policy may differ from Boris Vasilievich's account. Still, I know that he would have been excited to hear it, as he always welcomed the most daring experiments of his students and colleagues. Without him, this book could not have been written.

The Ruble

Introduction

THE RUBLE'S STORIES

CAN MONEY HAVE a story? Russian writers thought it could. Nikolai Novikov's comic autobiography of a 25-kopeck coin (1778), Nikolai Bestuzhev's *A History of a Silver Ruble* (1820), *The Adventures of a Blue Assignat* by Evgenii Grebenka (1847), along with numerous other works, focused their narratives not on people but on the imaginative life stories of kopecks and rubles, coins and notes. The money's journey spotlights the virtues, sins, fortunes, and misfortunes of people who hoarded coins and forged, stole, lost, exchanged, or gave paper rubles away. The long life cycle of money underscores humans' fragility: rubles are resilient to crises, diseases, and starvation while people suffer and perish in poverty. Money seems passive, a silent witness to the deeds and misdeeds of men, but it is not; it is the invisible driver of petty tragedies, intimate dramas, and grand historical processes. The pre-revolutionary stories, most famously Leo Tolstoy's epic *The Forged Coupon* (1904, publ. 1911), are often dominated by moral didactic and reflections on the corrupting influence of money on human nature. Soviet "travelogues" and fairytales about money, such as Serguei Mikhalkov's *The Adventures of a Ruble* (1969), straightforwardly deliver an ideological message about the advantages of the Soviet financial order over imperialist economies. In any case, both the old and the new hagiographies of the ruble exploit the anthropomorphic nature of money. Rubles come to life, like people, and die—some of them graciously, being melted into ornaments or burned in a bonfire in front of an imperial palace, others with jeering and mockery, as the despised Soviet "monetary signs" that, after the monetary reform of 1921–24, lost their value and were replaced by "good" *chervonetz*.¹

Such metaphoric parallels between humans and money are age-old. Sociologist Nigel Dodd's *The Social Life of Money* spotlights both the temporality of money ("money is a process, not a thing") and its embeddedness in the fabric of society.² Other scholars have highlighted the peculiar duality of money: it is at once a quintessentially fungible commodity devoid of any personal characteristics, yet it acquires a wealth of meanings—social, gender, generational, political, religious, and national.³ Thus, paradoxically, while the history of modern society is often told as a process of simplification and flattening—"making up people" to fit standardized categories—money appears in a palette of subtle meanings and identities.⁴ One can write a history of the dollar, the zloty, or the franc as a biography of a currency, with a focus on its role in politics, its financial career, or the aesthetic or material qualities of coins and banknotes. This book is a political biography of the Russian paper ruble, from its inception in the mid-eighteenth century to the reform of 1921–24. It considers money not only as a passive product of economic and constitutional organization, but also the active means of enacting (or preventing) changes in the political and legal structure of the state and society.⁵

Any biography is bigger than one person's life story. Even when focusing on the extraordinary and unique lives of individuals, biographies spotlight the fates of whole generations, social groups, or nationalities. Similarly, a political biography of the ruble offers an opportunity to explore the political life of modern money, to reveal and explain the reasons for similarities and divergences between national currencies. The nineteenth century, known as a century of nationalism, brought an unseen universalization to the sphere of finance. It gave the world the modern idea of a monetary standard and international monetary unions that partially suspended national particularisms in the sphere of finance. In the 1860s–80s, the gold standard spread across Europe and North America and then reached beyond these two continents, creating an illusion of a financial concordance based on a common monetary language. By the beginning of the twentieth century, adherence to the gold standard came to be seen as a virtue, while deviance from it was synonymous with failure. In economic history and the history of money, exceptionality often means abnormality, while the uniformity of criteria, standards, and rules is considered a higher good. Yet, despite the name, the principles of monetary standards were less "standardized" than it may seem. John Maynard Keynes noticed it in 1913, when he wrote about the futility of the attempts to follow the British model.⁶ But if financial models of the monetary standards differed, their political constituents demonstrated even more variety. Much

can be found looking at how domestic politics and the specificity of political organization affected the monetary regimes in the silver- and gold-standard world. The Russian case is especially revealing.

Historians have long debated the idiosyncrasy of the Russian state and political culture. Some have tried to normalize Russia's story by searching for non-European points of comparison and questioning the universality of the applied criteria of normalcy. Others have resisted smoothing over the story of autocracy and totalitarianism. Russian particularism in the sphere of finance has usually been bluntly called "backwardness." Russia followed many European institutional patterns, but its currency remained inconvertible through most of its history. It was the last European great power to join the gold standard system despite its gold reserve being the largest in Europe. Russia avoided the turmoil of the nineteenth-century European revolutions and remained an autocratic empire, yet a strong liberal movement simmered for decades, producing original, if oftentimes impractical, ideas. Russian society was attentive to European intellectual exchanges and was amazingly receptive to economic ideas coming from the West, yet many of the economic and political projects that were discussed in clubs, academic journals, and bureaucratic offices remained unfulfilled. The Revolutions of 1917 that followed the devastation of World War I swept away the old state with its monetary system, but the contours of the new state that emerged on the ruins of empire bore the indelible features of its predecessor, and the new socialist ruble replicated its imperial ancestor. Without implying some inherent specificity (or pathology) of the Russian state and its society, *The Ruble* shows how they evolved in the context of Russia's political, financial, and intellectual relationship with the West and the East.

In tracing the evolution of the ruble and the debates around it, this book translates the meaning of financial institutions and terms such as "convertibility," "exchange rate," "monetary standard," "independence of the bank of issue," and others into the language of politics. The political meaning of these terms was not the same 200 years ago as it is today. In the eighteenth century, when Catherine the Great introduced Russia's first paper money, called "assignats," paper notes were not considered real money but the "representative signs" of currency. To ensure the credibility of assignats, the state promised to make them exchangeable for copper and silver coins that were kept in the storage rooms of state Assignat Banks. But after the government discovered the ease of using paper money to cover extraordinary wartime expenses, it started issuing paper notes that were not "backed up" by the metal collateral. Due to various factors, but mostly overprinting, the value of assignats

began to fall, and the government took up a new means of supporting their value—through references to the sublime power of the ruler. Thus, the idea developed that in an autocratic state, the value of paper money hinges on the sanctity of the sovereign's promises rather than a material collateral. Assignats came to be seen as a projection of absolute authority.

Not everyone welcomed the idea of autocratic money. In the 1780s, Russian politicians versed in the economic ideas of the Enlightenment coined a concept of money as the representation of national wealth. It assumed that the nation owned the bullion reserve, and the government could not issue monetary signs that did not correspond to the value of this common asset. This idea was clearly very radical: it imposed limits on autocratic privileges and even indirectly suggested the political sovereignty of the people. But how could it be possible to restrict the authority of the monarch? One way to do so was to demand the inviolability of the bullion reserve and the convertibility of assignats to specie. This arrangement made both economic and political sense: the reserve, as well as the convertibility of paper notes, was considered to be the best conditions of credibility not only domestically but also internationally. Therefore, a government seeking capital and investments would be interested in maintaining the reserve. However, simply holding a metal reserve equivalent to the amount of paper money in circulation did not guarantee the observance of the "rule of law" in finances. Sooner or later, the government (or the ruler) could succumb to the temptation to overprint. Therefore, proponents of the nation's right to money suggested complementing material collateral with institutional guarantees, namely, the creation of an independent private (joint stock) bank of issue. Economists contended that in addition to the metal reserve, an independent central bank could back up currency with short-term bills of exchange that reflected actual commercial transactions. Such a bank was thought to represent the productive part of society and would release banknotes in the amount reflecting the demands for money in the economy.

The appearance of assignats, which coincided with the Westernization of Russian intellectual life and Russian society's embrace of the Enlightenment, opened up questions of the state's indebtedness to its own subjects. Russian thinkers compared the paper money's convertibility to the right of political representation, while a banknote was seen as a mandate for participation in governance. The bullion reserve appeared crucial for maintaining the accountability of government and the separation of powers, and allegiance to a monetary standard was analogous to the rule of law. Furthermore, in Russian liberal nineteenth-century parlance, an independent bank that guarded the

reserve, issued banknotes, and ensured their convertibility to specie stood for a parliament. This entire intellectual edifice rested on a presumption that the government derived its power of money issuance from the sovereign people, not vice versa.

The conservative theory that developed in parallel and in reaction to the liberal doctrine asserted that the request for additional material and constitutional guarantees of the paper ruble's value contradicted the logic of imperial rule. In the monarchical state, the monarch's pledge and honor were sufficient to support the value of money and the credibility of the state. Maintaining the reserve was seen as an unnecessary restriction of the state's financial authority that infringed on the tsar's sacred duties—to wage the war against enemies of the empire or Christian Orthodoxy and to protect the Fatherland. Russian conservatives were very unhappy with the rigor and doctrinaire nature of the liberal theory that, in their opinion, was very inflexible. They thought that the government of a growing empire required the freedom to issue paper money when it saw fit. Since the proponents of the nominalist theory associated monetary liberalism with the imaginary “West,” this theory acquired a nationalist bent. It developed into a concept of the “people's ruble” that emphasized the Russian population's unconditional trust in any kind of monetary signs issued by the state. Therefore, while liberals were embarrassed by the ruble's inconvertibility, nineteenth-century nominalists considered it almost a virtue. The story of the Russian ruble deserves to be told if only to illustrate how Russian monarchists invented the indigenous paper standard and turned it into official ideology. No other country has ever produced such an odd ideological construct.

In the nineteenth century, as Russia turned into an active borrower on the international market of capitals, it had to somehow respond to the expectations of solvency. Therefore, economic conservatism further transformed the liberal idea of convertibility into something associated with monarchy rather than a constitutional right. These conservative financial ideas that combined autocracy with the concept of a monetary standard were original and not seen elsewhere in Europe. While liberals envisioned an independent bank that on behalf of the people held the reserve and ensured convertibility, conservatives considered it a royal asset that was meant to compensate, in the eyes of Russia's creditors, for the lack of constitutional guarantees. If, as political scientist Stefan Eich has argued, money “can help to create and maintain the precondition for . . . democratic politics,” it can also work in the opposite way.⁷ The Russian monetary system was designed to maintain autocracy.

Having rejected “Western” notions of good currency that were considered incompatible with the monarchal doctrine, the Russian imperial government invented its own vision of economic success and financial stability that matched the political principles of the autocratic state. After all, if political stability means the absence of revolutions, from this point of view, Russia until 1905 looked like an oasis of tranquility. Of course, this tranquility was misleading and could only be achieved through political repressions and censorship. In finance, conservative stabilization assumed fixing the ruble’s rate and preventing its fluctuation. But, similar to the visibility of political order that concealed widespread discontent, this stability of money was to a great extent maintained with the help of political and administrative measures. The Russian ruble was “fixed” on the silver standard in 1839, meaning that one paper credit ruble was equivalent to a silver ruble, and it switched to gold in 1897. Both reforms assumed an increase in bureaucratic surveillance over commercial activity and were predicated on the centralization of state power. In the mindset of the imperial administrators, the threat of instability came from the unpredictable and unruly market that was associated with speculation and the perils of bankruptcy and ruin. Of course, the government did not attempt to completely paralyze commercial activity and credit networks. But, while business and commerce were expected to develop, money had to remain solely within the purview of the state.

These attempts to destroy the influence of the market while aspiring for economic growth may seem staggering. After all, isn’t money one of its key components? Historians of money have by now dismantled the myth of money’s emergence from trade and exchange, and the origin story of the Russian paper ruble gives further evidence of money being created rather than naturally born.⁸ Yet although the state claimed its monopoly on the production of money, it could not fully control the economic behavior of society and its attitude toward the ruble. To the chagrin of Russian administrators, when the ruble’s rate was unstable, people invented their own alternative measures of account, such as the “coin ruble” of the 1830s and the “bread rubles” of the Civil War. And if the government failed to supply the market with notes or coins that were in high demand, local communities started printing their own marks to compensate for the deficit of cash.

But the most apparent constraint on the state’s ability to control the ruble was its constantly fluctuating value. The problem of rate emerged simultaneously with the appearance of the assignats, and it represented more than a strictly economic issue. The ruble’s rate, as much as it represented the projection of Russia’s commercial activity, was seen as a reflection of

Russia's geopolitical standing or, more generally, Russia's civilizational inferiority or superiority. Throughout the nineteenth century, debates over how to interpret the rate continued. The ruble's falling rate affected the ability to buy imported commodities that, along with the introduction of European ideas, symbolized the Westernization of Russian elites. After the abolition of serfdom and the removal of most restrictions on credit and investment activities, Russian society plunged into the new realities of capitalism, and the ruble's rate turned into one of the key parameters of everyday life. However, the majority of Russia's peasant population did not consume imported goods or buy shares, and nationalists stressed this while trying to present the ruble's rate as a form of Russia's dependence on the West. Economic factors, such as the revenue from the export of grain or the costs of paying for foreign loans, mattered, but the rate was not exclusively a financial category. When Russia's relations with the European great powers were especially frayed after the Russo-Turkish War (1877–78) and the Berlin Congress, the government pretended that it ignored the falling rate, considering the ruble's demise in the wake of Russia's victory a humiliation. A few years later, the situation was reversed. The same people who had suggested measuring the ruble's value in pounds of wheat bread instead of francs or pence declared that the low rate of the ruble was an assault on the emperor's honor. Economists were also trying to figure out which factors—the amount of printed money, Russia's trade balance, the size of its foreign credit obligations, or the successes of Russian army on the battlefields—affected the ruble's standing.

Conversations about rate, convertibility, or the authenticity of money often revealed preoccupations with ethical and ideological matters and fundamental issues of honor, dignity, and trust. When Catherine the Great vouched for the convertibility of assignats and pledged to preserve their value, she endorsed the perception of rubles as the ruler's promissory notes. The promise of exchange for specie printed on each assignat and, later, credit ruble enhanced this connection; when the assignat's rate fell, writers lamented the “humbled” state of the ruble, referring to the dual meaning of the word *dostoinstvo* as both dignity and nominal value. The honor argument appeared in different contexts and meanings. In 1862, for example, the government, with inadequate preparation, rushed to resume the exchange of paper rubles for gold, referring to its duty to fulfill the promises of the deceased tsar (Nicholas I). However, in 1876, on the eve of the Russo-Turkish War, nationalists argued that the honor of protecting the Slavs from the Ottoman Turks was more important than the dishonor of the ruble's falling rate. In 1896, when news of the projected devaluation of the ruble got into the press, critics of the reform

characterized it as a violation of the honor code, comparing the government to an untrustworthy merchant. The ruble, which is supposed to be neutral and fungible, often appeared in an anthropomorphic form—as a person, with soul, honors, and dignity. The “honor” arguments especially dominated the conservative discourse. Nationalist critics of political economy offered a heavily romanticized vision of monetary relations, blaming liberal economists for their heartless, mechanical approach to money. True, the liberal version of trust stressed transparency and control, science, and evidence, which offended the sensibilities of their opponents.

What appears important in the context of the ruble’s story is that monetary ideology and patterns of financial policy were always embedded in larger systems of ethics, culture, epistemology, and history.⁹ Consequently, the rift between conflicting ideologies was much deeper and more substantial than often thought, and it was not limited to institutional preferences. If, as Austrian sociologist Karl Mannheim wrote, conservatism (and likewise, liberalism) represented “styles of thought,” then the analysis of money offers a perfect opportunity to explore these modes of thinking.¹⁰ The choice of the vector for monetary policy was often justified by historical and philosophical references. For instance, in the first half of the nineteenth century historians and policymakers were immersed in a debate over the existence of leather (or skin) money in pre-Mongol Rus’. This seemingly peripheral question in fact had enormous importance. The nationalist proponents of Russia’s indigenous paper standard, who refused to measure the ruble’s worth in silver or foreign currencies, argued that Russia had introduced a prototype of paper currency centuries before it appeared in Western Europe. They presented fiat money as a culturally advanced form because it required abstract thinking while the use of coins and banknotes tied to a metal reserve, betrayed a more primitive form of economic judgement. The historical debate first and foremost concerned Russia’s relations with the West and the role of the state as the driving force of cultural and economic progress. The argument about Russia’s role and civilizational superiority expressed in its (doubtful) precedence in inventing fiat money corresponded to the nationalist view on Russian language and its development. Arguing for the priority of the state in determining the amount and value of monetary signs, nationalists also asserted the government’s right to purge foreign words and introduce a new Russian vocabulary based on indigenous roots.

The ruble, therefore, served as a compass that helped to locate Russia on the economic and political map of the world. Parts of the Russian Empire also belonged to the financial “West.” The Kingdom of Poland and the Grand

Duchy of Finland at different periods of their existence enjoyed monetary autonomy, while their currencies were oriented toward their European neighbors. After the failed revolutions of 1831 and 1863, Poland lost its currency, along with constitutional privileges and autonomy. In 1860 Finland was allowed to introduce its own monetary sign, and in 1876, it switched to the gold standard, thereby creating a source of constant embarrassment for Russian liberals and nationalists. All major monetary reforms—the silver reform of 1839–43, the introduction of the gold standard in 1897, and the Soviet *chervonetz* reform of 1921–24—aimed to facilitate the inclusion of borderlands into the ruble domain. While standing on the economic “East” from its own Western borderlands, Russia enjoyed the status of a civilizational “West” in relation to its own Orient, the Asiatic borderlands and protectorate territories. After the introduction of the gold standard, Russian government looked down on the silver-based currencies of Bukhara and Manchuria and tried to make the population switch to the “superior” gold-backed rubles. Administrators considered the expansion of the ruble domain as a part of Russia’s civilizing mission and were genuinely puzzled over why the local population did not want to abandon their “inferior” money in favor of the “better” ruble. The ruble was not always a good (and cheap) tool of imperial management and integration, but the ideological reasons for turning it into the only currency of empire outweighed all practical considerations.

While trying to spread rubles to the remote corners of the Empire or even beyond its borders, the government was often responding to the conflicting demands of local elites, regional authorities, Russian merchants, and diplomats. The politics of money was, therefore, not limited to state governance; different actors used the ruble argument in bargaining with the state. Money was a universal language for communicating grievances and expressing expectations—not only between regional authorities and the center, Russian and non-Russian elites, but also between various social groups and the government. Russian society was deeply stratified into estates and classes, and bargaining between the government and the people during the imperial and the early Soviet period often occurred along these lines. Merchants and noblemen, and sometimes peasants or those who spoke on their behalf, expressed visions of their own ideal ruble and the parameters of the socially just monetary system and asked the government to act as the arbiter in these relations, to prescribe, discipline, police, and prohibit. More often than not, they disagreed, arguing that the economic behavior of other social groups was detrimental to the fate of the “common ruble.” These debates, starting with the campaigns against luxury in the 1780s, when merchants accused noblemen of

causing the inflation, to the anti-peasant sentiments during World War I and the Civil War, when peasants were blamed for hoarding money, demonstrate how social actors used the ruble rhetoric to manipulate the state and how the government used those demands to justify or postpone unpopular reforms.

Not all social interactions surrounding the ruble took the form of peaceful bargaining. Sometimes they evolved into different forms of conflict and resistance, drawing the masses into political participation, sometimes inadvertently and unpredictably for the state. The women's riots of 1915, in reaction to the deficit of small change, certainly could not match the violence of the Copper Riot of 1662 caused by the replacement of silver coins by copper, but these riots were equally spontaneous and expressed the moral economy of money as people understood it. The social protest in response to monetary policy rarely escalated to the level of rebellion, but, as anthropologist James Scott underscores, the "weak" can use other weapons and means to express discontent.¹¹ The silent refusal of peasants to sell grain for depreciated rubles during the Civil War of 1918–21 is an example of this form of resistance, but so too are counterfeiting in the villages of Old Believers, which reached an unseen scale during the financial crisis of the 1860s, and the widespread refusal to take gold coins after the reform of 1897. These and other episodes show that people perceived the unwritten rules of monetary circulation as the indispensable elements of the tacit contract between the state and society. In the seventeenth century as well as in the first years after the revolution, people treated money as a public good that the state had to provide. In their eyes, money was society's property that the state had agreed to manage. The authorities did not share this attitude. Policymakers often spoke about the obligation of the tsar's subjects to accept depreciated money and therefore share the burden of financing the state. The denial of the people's claims was symptomatic of the deep political cleavage that separated the rulers from the ruled, a cleavage that ultimately triggered mass discontent. The February Revolution of 1917 at once exposed the extreme politicization of financial problems. Workers and soldiers who had hoped that the fall of the tsarist government would improve their condition blamed the new republican authorities for their failure to salvage the ruble and stop inflation that eroded the social achievements of the revolution. After the October coup, the new socialist power openly declared that the ruble was the weapon of class war used to expropriate wealth from the enemies of the proletariat. When the Civil War and the violence of class purges brought the socialist republic to the brink of the catastrophe, the government turned to the reconstruction of the financial and administrative system. Astonishingly, this reconstruction included the return of the imperial

ruble based on the pseudo-gold standard that assumed the centrality of the state and constraints on the free market of credit. A revolution in finance did not happen.

The history of the ruble is told here in different registers. One line of inquiry focuses on intellectual trajectories—the imaginary lives of the ruble reflected in the projects of reforms, pamphlets, newspaper articles, treaties, and academic books. Through these texts, the book traces the evolution of two approaches to money: as a socioeconomic institution and the mandate for rights, and as a proxy of power and the source of obligation. These two concepts corresponded to two worldviews—one cosmopolitan and focused on the rule of law, another isolationist and predicated on the primacy of power. The analogy became obvious: a proposition of a financial reform aimed at restoring convertibility, along with establishing an independent bank of issue, was deemed equivalent to a demand for a political constitution and the limitation of autocracy. Therefore, this line of inquiry reveals previously unknown trends and sources of Russian liberal and constitutional thought. Including the ideas of financial constitution and the rule of law expands and enriches understanding of the Russian tradition of constitutionalism.

Not only did the type of texts dedicated to the ruble vary but so too did the professional occupations and political profiles of their authors. Journalists, ministers, and professors of political economy argued over their priority and expertise in solving financial problems. In the era when political economy came into vogue, especially in the 1860s–90s, many deemed themselves able to converse about the rates of exchange, trade balance, and credit policy. The government was very perceptive about changes in public opinion and believed that its swings could affect the ruble's standing. Therefore, as the massive volume of correspondence between ministers and journalists shows, controlling newspapers and cultivating good relations with writers and editors constituted one of the key areas of activity at the imperial Ministry of Finance. Battles over the ruble took place in clubs, learned societies, and public meetings attended by well-dressed women and students. The ruble's imaginary "adventures" in novels, poems, and short stories mirrored the most routine and bizarre features of the social life of money and its place in society.

A second line of inquiry in the ruble's story is the materiality of money. While people experienced the results of big shifts in monetary organization and economic policies, the most immediate and visible effects came with the physical changes of bills and coins—new images, shapes, and textures. As

it grappled with the economic problems of rates, convertibility, and credit, the government was also preoccupied with the mundane tasks of ensuring the authenticity of bills, their resilience to counterfeiting, and their material quality, all of which were seen as key elements maintaining popular trust in currency. That was especially important because in the world of money based on standards or replete with imaginary units of account, a banknote or a coin was supposed to straddle the space between the matter of money and the imaginary value that it designated. In Russia, this dichotomy was expressed in language. For example, the “silver ruble” (*rubl' serebrom*) as a legal tender was represented not only by paper notes but also by copper coins that bore an inscription “1 (or ½, 2 and 3) silver kopeck,” reflecting the financial alchemy that could turn one metal into another. After the introduction of the gold standard in 1897, and its resumption in 1922, the paper ruble was made gold (*rubl' zolotom*) in actuality (with gold coins minted in new denominations) and figuratively. All these changes were reflected in the design of money, with special attention paid to formulating the values and the promises. The logistics of making money also created physical horizons for political decisions. The Bolshevik government, overwhelmed by inflation and unable to satisfy the demand for cash, was forced to use tsarist money with two-headed eagles and tsars' portraits until the end of the Civil War and the normalization of currency.

Through the analysis of texts, ideas, policies, and practices, the political history of the Russian ruble creates an alternative vision of the emergence, growth, and collapse of the Russian Empire, through the crisis of the revolution, to the end of the Civil War and the beginning of the New Economic Policy (NEP). The rhythm of the story appears quite conventional, punctuated by the accessions and death of rulers, the sequence of wars and reforms, the dynamics of expansion, and the formation and the dissolution of the imperial domain. Yet, by telling this story from the point of view of Russia's national currency, this book refutes many myths and stereotypes while clarifying important phenomena and processes. Among many things, it addresses the problem of autocracy and explains the economic implications of an unlimited political power. It discusses the genealogy of constitutionalism and redefines the meanings of liberalism and conservatism, as well as the notions of economic development and backwardness. It also reconsiders the significance of the Revolutions of 1917 and questions the radicalism of revolutionary changes in the spheres of economy and governance.

The book's chronological narrative is arranged in four parts. Part I: "The Age of Assignats" begins with Catherine the Great's main financial reform: the introduction of assignats and the creation of Assignat Banks (Chapter 1, "Assignats: From Paper Substitutes to Paper Money"). The story of the assignats' birth reveals a conundrum that many other countries of eighteenth-century Europe faced at that time, namely, how to reconcile the political ideas of the Enlightenment with the financial exigencies of imperial expansion and growth. For Russia, this problem was even more complex because, unlike its European counterparts, the Russian monarchy had not developed the mechanisms of borrowing from domestic elites, which would have required political bargaining. Thus, paper money, secured by a collateral in copper coins, appeared as the first instance of the state's domestic debt. By introducing assignats in 1769, Catherine II inadvertently subjected the Russian monarchy to scrutiny. From the very moment new money was released into circulation, her courtiers were plunged into a debate about the nature of money and the essence of the sovereign's rights and obligations. Trying to figure out how to frame these relationships in political terms and how to boost Russia's political credibility as a rule-of-law monarchy without affecting its financial means, Russian thinkers advanced a notion that was novel and radical even for pre-revolutionary Europe: they designated the empress's subjects as the owners of the bullion reserve that backed up the value of paper money and described paper assignats as the ruler's debt to the people. However, as the analysis of this financial policy demonstrates, institutional arrangements—most importantly, the status of Assignat Banks—contradicted these lofty ideas. The government continued to print money excessively, and the paper ruble's value vis-à-vis its metal equivalent and other currencies plummeted.

Chapter 2, "Autocracy or Representation?" explains how the Napoleonic Wars sealed the fate of Russia's constitutional and monetary reforms. It traces the development of the political concepts of money in the first quarter of the nineteenth century—the period of Alexander I's reign, when intensive debates about the virtues of constitutional rule over unlimited monarchy unfolded against the background of near-constant warfare, which brought the ruble to the brink of collapse. In the minds of Russian reformers, the two issues—monetary and political—represented two sides of the same coin: a constitutional reform presupposed the introduction of a financial rule of law, while financial stability was unthinkable without limiting the power of monarchy. Mikhail Speransky built this dual principle into his reform plan of 1809 which was introduced in a severely truncated form, without a free Silver Bank

or a representative legislature. The conservative opposition to Speransky's reforms, which prevailed on the eve of Napoleon's invasion in 1812, annulled his monetary innovations, including, most important, the silver standard, and proclaimed the ideas of a metal-based ruble incompatible with monarchy.

Chapter 3, "The End of Assignats," focuses on the 1830s through the 1850s, the period known through Alexander Pushkin's poetic works and Nikolai Gogol's stories, which are replete with money riddles and metaphors. Indeed, the monetary system of post-Napoleonic Russia looked as phantasmagoric as Gogol's tales, with several currencies—paper and metallic—circulating in parallel and creating perplexing systems of measuring and counting. In an attempt to fix this anomaly, the government in 1839 initiated a monetary reform that ended the era of assignats and introduced a new kind of paper currency: silver-based credit rubles. Chapter 3 decodes the meaning of the reform by focusing on the philosophical and political views of its main ideologue, Egor Kankrin [Georg Cancrin], who translated the political principles of Nicholas I's ideology of Official Nationality into the language of money. Along with Kankrin's project of the reform, the tsar and his functionaries briefly considered a model based on the Bank of Poland and its convertible zloty banknotes. However, the Polish alternative, which evoked Poland's constitutional past and its financial independence, had no chance of being adopted. Moreover, the monetary reform, conducted according to the tsar and Kankrin's plan, opened the way for the financial russification of Poland through a gradual introduction of rubles. Although the reform based the ruble on silver, it conspicuously rejected the principles of state accountability for the issuance of paper money.

Unable to withstand the pressure of the Crimean War, Nicholas I's monetary system collapsed even before the tsar's demise, and Russia entered the era of the so-called Great Reforms with an inconvertible ruble. Part 2, "Autocratic Capitalism," opens with Chapter 4, "Paper Money in the Era of the Great Reforms," which asks whether the scale of the monetary reforms of the 1860s matched the radicalism of the changes in society, law, and the rural economy (including the emancipation of peasants). Did the waves of Westernization, liberalization, and decentralization that reformed Russia's public institutions and even its structures of everyday life transform the ruble as well? Although the financial reforms of the 1860s rebooted the credit system, and the government receded from several areas of financial activity, leaving more space for private initiative, the political principles of Russia's monetary economy remained untouched. The key element of the reform, namely, the de-governmentalization of money and the transformation of the

State Bank into an autonomous institution, was left out of the reform plan; at the same time, the projects introducing a representative legislature were rejected in the final stage of their preparation. Still, the ideological and cultural effect of the Great Reforms could not be undone. Russia entered the age of capitalism, and attitudes toward money and wealth changed dramatically. Russians traveled, invested in bonds, and mortgaged lands in private banks, bought shares, and anxiously followed the movement of rates. While financial publicity and popular monetary literacy dramatically increased, Russian society came to see the ruble through different political and social lenses. The depreciation of Russian currency contrasted starkly with people's elevated expectations of economic prosperity.

After an unsuccessful attempt to restore the ruble's convertibility in 1862–63, the government embarked on a program of gradual financial restoration, amassing gold in the State Bank and slowly preparing for another reform. This process ended abruptly in 1877 when Russia entered another war with the Ottoman Empire. Chapter 5, "Ruble's Wars," focuses on a remarkable period in the ruble's life, when, after the end of the Russo-Turkish War, the Ministry of Finance, which pursued financial austerity and the ruble's restoration, was attacked by conservative and nationalistic journalists who enjoyed the patronage of the tsar and succeeded in removing the minister of finance, Nikolai Bunge. In the absence of political parties, newspapers and their editors assumed the role of the leaders of public opinion. Among the various components of state national identity, the nationalists singled out currency as a symbol of Russia's distinctiveness, turning the ruble's inconvertibility into a virtue. Conservative criticism of "Western" financial principles revealed not only growing discontent among nobility and commercial elites with the government's stringent policy but also elites' anxiety over the prospect of joining the monetary realm of Western Europe, which in the 1870s had switched to the gold standard.

Part III, "The Gold Reform," tells the story of the reform's prelude, preparation, and realization. Chapter 6, "Witte's Rollercoaster," foregrounds famed financial reformer Serguei Witte. Witte joined the government under the flag of conservative and nationalist policy, which in financial terms meant inflationism. His plan to increase the volume of paper money was linked to the economic appropriation of Russia's borderlands through the construction of waterways and railroads, the resettlement of peasants, and the development of the agrarian economy. Although Witte, disappointed with the financial efficiency of inflationism, became an ardent supporter of the gold standard in 1895, he did not abandon his political stances. The gold reform of 1897

pursued the same objectives as those advocated by Witte's earlier conservative mentors, such as the concentration of the government's power over the production of money. As Witte reasoned, the gold ruble represented a better tool than a paper ruble to accomplish the objective of imperial expansion.

Chapter 7, "The Autocratic Standard," offers a radical reconsideration of the monetary reform of 1895–97 and emphasizes the centrality of political mechanisms in determining the financial results of monetary innovations. The gold reform manifested a new iteration of financial nationalism that was fully compatible with both the orientation toward the West and the creation of favorable conditions for foreign investments. To explain the meaning of the gold standard in Russia, the chapter analyzes the mechanisms of the country's transition to gold, including Witte's efforts to tame newspapers, negotiate with recalcitrant journalists, control public debates, and impose the use of gold coins in commerce. Witte's legislative proposals show that, although his version of the gold standard looked similar to other models introduced in Europe and elsewhere, the political ramifications of the new monetary regime gave it a completely different meaning. Established by a royal decree in violation of all legislative procedures (and dubbed a "monetary coup d'état"), the gold reform projected the autocratic principles onto finances. The transition to gold secured the ruble's rate against constant fluctuations and increased the influx of foreign capital. However, in the absence of institutional and political guarantees, such as political representation and the State Bank's independence from the government, the ruble's standing and Russia's credibility came to depend on the size of the gold reserve. The reform therefore created new anxieties and threats. Chapter 8, "Practicing the Gold Standard," begins by analyzing the practical and logistical application of the reform—the introduction of gold coins and the elimination of paper cash of small denominations. As a result of the reform, the social pyramid of the monetary system turned upside down: wealthy people were expected to use paper banknotes, while simple folk had to operate with silver and gold coins. Predictably, there was a great deal of discontent, especially in the agrarian sector. The new system's vulnerability became even more apparent when Russia attempted to introduce the gold ruble into the Eastern "realm of silver," that is, Bukhara and Manchuria, where the population stubbornly continued to value the ruble by its reputation and purchasing power, not according to its gold "content."

The ruble's main weakness, paradoxically, was rooted in Russia's fixation on gold. Unlike other countries that suspended convertibility at times of crisis, Russia could not afford to give up the standard without jeopardizing its ability to borrow money abroad and pay for its obligations. Chapter 9, "The

Gold Syndrome,” opening Part IV, “Ruble, Wars, and Revolutions,” begins by analyzing how the fixation with the size of the gold reserve affected Russia’s financial policy during the crisis of the Russo-Japanese War and the revolution of 1905. In 1905, Russia switched to constitutional rule, but the representative State Duma did not receive any prerogatives in the monetary sphere, and the ruble’s fate remained fully under the government’s control. This feature of Russia’s political order backfired in 1914, when Russia entered the First World War. Chapter 10, “War and the End of the Gold Ruble,” examines the political constituents of Russia’s financial crisis during the First World War, such as the government’s conflicts with the State Duma over the gold reserve, and the problems of mobilizing the population under the banner of financial patriotism. From an economic viewpoint, the Russian imperial government followed the standard script for managing war finance. Explaining why the Russian ruble suffered from the war more than the currency of any other belligerent countries requires factoring in politics alongside purely economic reasons. The issue of the ruble became even more politicized after the February Revolution of 1917, which brought down the tsarist government. The ruble became a trophy of a class war in which various actors—liberals and socialists, industrialists and bankers, workers and peasants—blamed each other for the ruble’s demise.

Chapter 11, “A Revolution That Did Not Happen,” tells this paradoxical story and describes the Bolsheviks’ failed attempt to create a new socialist currency. War communism, a bewildering experiment in the eradication of money, resulted in its de-governmentalization. The state lost the monopoly on the production of money, but money hardly went away. The New Economic Policy (NEP) was therefore an attempt to regain control over the currency and to reconstruct the pre-1914 monetary order. The reform of 1921–24 bore many traces of Witte’s gold standard—for example, the centrality of the state and the obsession with the size of the gold reserve.

The explanatory power of a political biography of currency is in changing the angle of analysis and shifting focus from the well-known political events and the conventional notions of politics to the hidden mechanisms of political reforms and processes. With the ruble as its vantage point, the book explains substantial and subtle causes of great historical events and processes. The ruble’s story zooms in on the everyday financial politics of businessmen, politicians, and administrators, and zooms out to a wide view of economic structures and political institutions. It explains how and why certain political conditions, models of governance, and political participation generated similar models of financial policy and organization. Following the literary works

of Russian writers who chose to tell their stories in the voice of a ruble bill or a coin, the ruble's story offers a sweeping historical picture drawn in subtle brush strokes and with attention to detail. Like other political biographies, the biography of the ruble recounts the extraordinary turns in its life and fate and, at the same time, reveals the persistence of common mechanisms and patterns.

PART I

The Age of Assignats

Assignats

FROM PAPER SUBSTITUTES TO PAPER MONEY

Love and Profit

Russia's first paper money, issued in early 1769, looked plain and unimpressive. In the center of the assignats, which were printed on yellowish A8-size sheets of paper with wide margins, there was a short text indicating the assignat's value in rubles and promising the exchange of these paper notes for "circulating coins." Above the text hung two stamped ovals with almost indiscernible images: one was a rock in the middle of a storm-tossed sea, another an eagle astride a pile of objects apparently symbolizing commerce.¹ Perhaps the most remarkable feature of the assignats' design was a grammatically weird phrase watermarked on the top and bottom of the assignat sheets: "Love for the Fatherland works for the benefit of thereof."² Its first part—"Love for the Fatherland"—sounded very familiar. A synonym of civic virtue, it represented the key expression in the political vocabulary of Catherine II's Russia. This phrase was imprinted on the coronation medal hastily made in September 1762 to celebrate the empress's accession to the throne after the coup that had cost her husband's life. "Love" justified the very fact of the unlawful seizure of power. References to "love" appeared in Catherine's numerous decrees and instructions, intended to stir patriotic feelings in the souls of the "sons of the Fatherland" and to explain and justify new dues and obligations. At the same time, Catherine II commonly appeared as a "mother" of the "fatherland" (*mater' otechestva*). In the political rhetoric of Catherine's reign, metaphorical kinship compensated for the lack of the empress's blood ties to the Romanov dynasty. Furthermore, in December 1768, when Catherine announced the production of assignats, Russia was already at war with the

Ottoman Empire; hostilities had been declared on November 18, 1768, but the military campaign only began in January 1769. The enigmatic words “unharméd” (*nevredima*) and “[it] guards and protects” (*pokoit i oboroniaet*) in the stamped ovals above the rock and the eagle conveyed the patriotic symbolism of Russia’s first paper money.

The second element of the formula about love—“works for [the Fatherland’s] benefit”—tied the patriotism of the empress’s subjects to the more pragmatic reasons of profit and common good. Indeed, even if the assignats were meant to play the role of patriotic propaganda leaflets, their financial constituent remained central. The austere design of assignats, which, unlike Catherine II’s ornate coins or sumptuous nineteenth-century credit rubles, likened them to private promissory notes (*veksel*), as if the Fatherland were demanding a loan from its offspring. But if this was a bill of credit, then who impersonated the Fatherland, the potential benefactor of people’s love and sacrifices? Watermarked inscriptions on the left and right sides of the assignat referred to the “State Treasury”; the coats of arms of the four tsardoms that had formed the Russian Empire (Moscow, Kazan, Siberia, and Astrakhan’) in the assignats’ corners represented the monarchy. For a loan document, this designation of a debtor was quite unclear. In eighteenth-century-Russian vocabulary, the State Treasury referred to the entirety of the state and the sovereign’s financial wealth, not a particular institution. In fact, as the Manifesto on the release of assignats affirmed, the assignats were issued on behalf of two Banks (one in Moscow, another in St. Petersburg) that were established specifically for the purpose of administering the circulation and exchange of paper money. The handwritten signatures of two senators, the Bank’s director, and a board member of the Bank that sealed the promise to exchange assignat for coins suggested a double liability of the “treasury” and the Banks. In short, the status of assignats was somewhat unclear, and their design betrayed this uncertainty. What was an assignat? A certificate of the state’s debt or a demand for new dues from the populace? A proxy for metal coins or a new kind of credit paper for the needs of commerce? A mandate for participation in financial governance or a token of allegiance to the throne?

In 1769 almost no one could answer these questions with certainty. Attempts to define the nature and role of paper money in Russian finances and governance inadvertently questioned the consistency of the commonly accepted but legally undefined categories of the Russian political system (such as “treasury,” “people,” and “state”) and necessitated the reconceptualization of the government’s and the monarch’s relation to its subjects. This modest and visually unappealing sheet of paper played, perhaps, a bigger role in the

development of political discourse in Catherine's Russia than any pamphlets, memos, or projects that circulated in the Russian court. The paradox of the assignats was hidden in the obscurity of their meaning: they were at once an invitation for the empress's subjects to participate actively in economic and political life and also a declaration of unlimited autocracy.

Autocracy and Money

Launching the issuance of paper notes was a risky enterprise. In the 1760s, paper money was still a novelty in Europe, and the first experiments did not go well. The political risks of issuing paper notes were even more serious than the financial ones. In medieval and early modern Russia, as elsewhere in Europe, money was seen as a token of legitimacy, a material symbol of the sublime power, similar to the "royal marks" that, according to popular belief, every true sovereign bore on her or his body. Authenticity appeared as the main quality of both money and power, hence the parallel between forgery and royal imposture that was ubiquitous in political rhetoric during this period of intense political struggle.³ The failure of this financial endeavor could, therefore, undermine Catherine's precarious position on the throne and question the authenticity of her claims of power.

Authenticity in relation to money could mean different things: first, a legitimate origin (i.e., the person minting the coins has a legitimate power to do so) and, second, the sameness of the value (the material and cost of the coins) and their declared nominal worth. The latter quality could be suspended if trust or authority compensated for the lack of material genuineness. However, in early modern Russia, manipulations of the material qualities of money had direct implications for the prestige of authority, while the full weight of coins indicated the pureness and integrity of monarchical power. The most explicit manifestation of this attitude was the popular response to the monetary reform of Tsar Alexei Mikhailovich (1645–76). Reformers planned to model the Russian monetary system on Western European examples, which legitimized the circulation of "imaginary" money whose value was determined by the sovereign. The reform introduced new coins of various denominations, including copper coins in the nominal value of silver money.⁴ The substitution of copper for silver in domestic trade, which allowed the government to procure significant sums for its military campaigns in the West, produced enormous discontent and resulted in the so-called Copper Riot of 1662. The government had to roll back the reform and return to the original standard of coinage. Forty years later, Peter the Great reenacted the ideas of his father, introducing

Western standards of coinage for high-denomination money (a silver ruble equal to a thaler and a gold chervonets the equivalent of a ducat) along with copper kopecks. Minting coins of large denomination and bigger size did not simply offer a convenient new medium for trade but also allowed imprinting the state emblem and other signs of royal authority on both the face and the reverse side of the coins. At the same time, manipulations of the weight and matter of coins served a fiscal purpose: the nominal value of copper coins minted from one *pood* (16 kg) of copper grew from 12 rubles 80 kopecks to 40 rubles.⁵ The state, therefore, deliberately exploited its minting privilege to fund the Northern War (1700–21). In stark contrast to the early modern European governments that relied heavily on credit at home and abroad, the Russian state did not use these mechanisms until the mid-eighteenth century. That means that, in addition to taxes and various kinds of dues levied on the population, coinage offered the single most effective, though politically precarious, way to procure extra revenues.

When war broke out, cannons (except those that commemorated past victories) were melted into coins, a reminder that money was the state's main weapon.⁶ Yet Peter the Great's reform, including the successful introduction of copper kopecks, signified an important rupture between the old understandings of authenticity and new ideas of value; the latter came to reflect the relationship between the state and society rather than the materiality of coins. Peter I expressed interest in John Law's ideas of enhancing economic development through the multiplication of money and the expansion of colonial trade, and in 1721, that is, after the crash of Law's colonial company and the Banque Royale in France, he invited the Scottish economist and entrepreneur to Russia. The tsar promised to grant him a noble title and the order of St. Andrew, 200 serfs and 100 personal guards, and total freedom in the realization of the most daring projects, such as the colonization of the Caspian seashore and the development of cities and maritime trade. Law did not come. However, he had several admirers in Russia, including prince Ivan Shcherbatov, who translated Law's treatise *Money and Trade Considered: With a Proposal for Supplying the Nation with Money* (1705) and drafted a plan to found a joint-stock bank with the right of issuing paper money.⁷

Radical changes in Russia's monetary system inevitably caused resentment. As with all of Peter's reforms, which in people's religious imagination were magnified into the upheavals of the moral and spiritual principles of life, changes in money standards evoked deep discontent. Coins bore Peter's "sacred" image and an inscription resembling icons, and this religious connotation enhanced the rhetoric of purity and honor that appeared most

prominently in *The Book on Poverty and Wealth* (1724) by Ivan Pososhkov, Russia's first self-trained economist and master of coinage. A "Moscovite progressivist," as historian Nikolai Pavlov-Sil'vanskii called him, and a moderate critic of Peter the Great's Europeanization of coinage, Pososhkov tried to persuade the tsar to return to the ideals of the "old purity" of silver and gold so that Russian money could "excel all foreign coinage and earn the praise of all both in the quality of the workmanship and in the fineness of the silver." He likened the fineness of precious metals to the purity of the Christian faith. At the same time, Pososhkov agreed that the nominal value of copper coins was to be defined by the sovereign, whom his subjects revered "as they [revered] God," and it should not depend on the coins' material value: "On whatever thing we see His Majesty's superscription, that thing we treat with all honor and respect." Pososhkov advocated the debasement of copper coins as the source of the tsar's revenue inasmuch as they lacked the appearance of silver: "Their face value shall not be, in the foreign manner, that of the actual value of the copper, but as His Majesty shall decide."⁸ Pososhkov's system suggested that the tsar's power rested on the preservation of the purity and authenticity of silver money, with full authority to determine the value of copper change.

Thus, in the early eighteenth century, money came to be seen both as a projection of sovereign power and a fiscal tool allowing the state to procure resources when taxes and other revenues did not suffice. Periodic expansions and contractions of copper mass, which were accompanied each time by the melting and reminting of coins, worked as a peculiar mechanism of state borrowing. In this sense, copper coins, which the economists of the eighteenth and nineteenth centuries often considered "monetary marks" not deserving to be called "money," paved the way for the introduction of assignats.⁹ Both served and appeared as substitutes for the real silver currency. When Catherine the Great introduced paper assignats, the new paper money was perceived as representing copper coins, which, in turn, represented silver.¹⁰

The semantic and financial evolution of paper assignats somewhat followed the same trajectory, from a direct substitution of one matter by another to the indirect representation of value, a model that made room for the use of credit. Initially, assignats simply stood for copper coins, which they literally replaced. The Manifesto of December 29, 1768, announced the introduction of assignats and justified the reform by citing the inconvenience of using heavy copper coins and transporting them across the country (1,000 rubles in copper coins weighed around 2,250 pounds);¹¹ it also referred to the examples of foreign banks issuing "printed notes of obligation" for public circulation.¹²

The law contained Catherine's vow—on behalf of herself and her heirs—that the assignats would always remain convertible into specie. Everyone could receive, in exchange for the paper bills issued by two newly created Assignat Banks in St. Petersburg and Moscow, a corresponding number of coins in copper (and very briefly, until 1770, also silver). The silver ruble remained the main unit of value; copper coins played the role of small change; and paper assignats represented a convenient substitute for both.

When the initial 1 million-ruble assignats were printed, the exact amount of metal money was put into storage in the Assignat banks as collateral. The Empress's Manifesto presented the reform as a radical innovation but one that was not intended to affect or invoke royal authority. Copper coins stored in canvas bags in the basements of the Assignat banks sufficed to ensure popular trust in the assignats; the substance of currency changed but not its essence. The government accepted assignats for all tax and state payments, which was also supposed to ensure popular trust. Therefore, initially, the role of paper money was quite modest. Assignats—light and easy to produce—facilitated the transfer of funds between state agencies across provinces and simplified the collection of taxes that were usually paid in copper coins and carried across the country to the capitals. In other words, the enormous (and

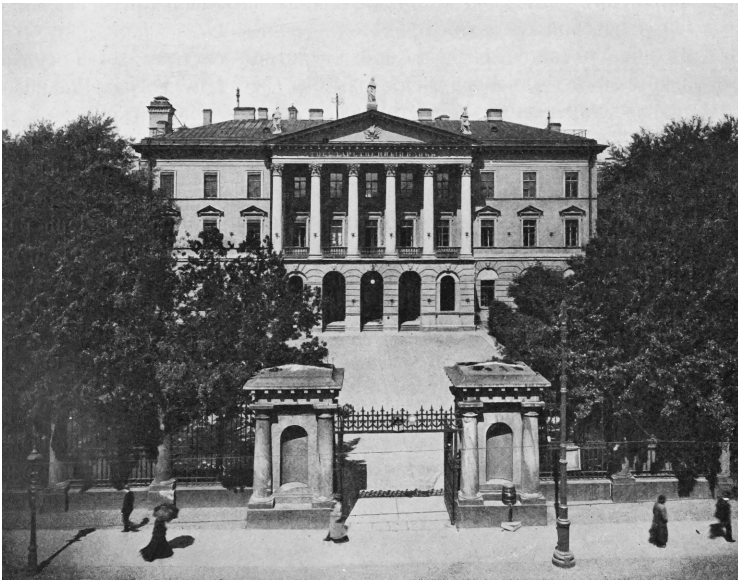


FIGURE 1.1 Assignat Bank in St. Petersburg. Arch. Giacomo Quarenghi (1783–1790). From *Gosudarstvennyi bank: kratkii ocherk deiatel'nosti za 1860–1910 gody*. St. Petersburg, 1910.

growing) size of the empire and the centralization of revenue collection in the eighteenth century made it almost necessary to create a lighter and easier medium of payment. Assignats also made it easier for noblemen, who generally spent their time and money in cities, to receive revenues from their serf estates in the provinces. However, since the issuance of assignats locked up an equivalent amount of coins in the reserve, the new paper money could not provide extra resources. The status of assignats was unclear. They appeared as promissory notes but, unlike other credit obligations, were fully backed up by metal money. Both the assignats and the metal coins they represented originated from the state that functioned simultaneously as creditor and borrower. The transformation of assignats from paper substitutes into credit money required at least some sort of an institutional separation between these two roles.

This transformation began to occur, albeit piecemeal, in practice when local and provincial government offices started requesting assignats in amounts exceeding the value of copper coins collected in state revenues, that is, taxes. Since transferring coins to the Assignat Banks was difficult and inconvenient, and the Banks did not have enough space to store copper, offices were allowed to keep coins in local storage as collateral for paper money received from the Assignat Banks.¹³ In January 1771, the empress's decree prohibited offices from claiming assignats at the deposit of expected revenues that they had not yet collected. Nevertheless, this practice persisted, and in 1772, the amount of assignats requested by government offices was twice the value of copper that they possessed (in other words, they borrowed the money against future taxes). The Russo-Turkish War and a plague epidemic in the early 1770s made the transportation of revenues collected in copper coins even more difficult. As the Bank's director, Count Andrei Shuvalov, noted, "There hardly was a single government agency that did not owe great sums to the assignat banks."¹⁴ Although assignats helped the government to overcome the crisis, the practice of procuring easy cash persisted, producing, as an unsigned memo from 1772 suggested, a wrong pattern: "Against the mental [conceived] value of paper notes circulating in the public, the banks count imaginary monetary capitals." The initial connection between the copper backup reserve and paper representatives, the signified and the signifier, was thus severed. The quantity of assignats in popular circulation began to increase disproportionately, "discrediting" the status of paper money and undermining the "popular trust" built into the foundation of the Assignat Banks.¹⁵

The Assignat Banks kept an exact count of the paper assignats issued to the government (its separate agencies) and to the so-called Cabinet responsible

for managing the empress's personal spending against the value of the copper coins at the disposal of these institutions. The Banks' balance sheets presented assignats as the government's debt to the Banks. Later, after the creation of a centralized network of provincial treasuries, the debts of various agencies were consolidated as the State Treasury's debt to the Assignat Bank. The idea of paper money serving as debt may appear illusory, but it nevertheless was the first manifestation of a new attitude to money as a mechanism of credit. It was not a coincidence that in 1769, the year following the introduction of assignats, Russia concluded its first foreign loan, with Dutch bankers De Smeth. A country with no "credit history," Russia had offered its income from customs on the Western border as collateral for a loan.¹⁶ The mechanisms of private credit, the instrument of mortgage and collateral that had developed in Russia's economy in the seventeenth and early eighteenth centuries, were finally penetrating the sphere of public finance. The Russian Empire was joining the ranks of European countries that lived from international and domestic borrowing, but the institutional arrangements of public credit were not quite the same in Russia as elsewhere.

The idea of debt for assignats rhetorically assumed the existence of two autonomous entities: creditor and debtor. The notes of the Bank of England, for instance, represented the crown's obligations to private creditors incorporated into a Company of the Bank of England—a private institution run on private funds. The Swedish Riksbank, founded in 1688, stood under the exclusive control of the legislature of Sweden, the Riksdag. Therefore, monetary policy and the issuance of paper money reflected political arrangements between the crown and the parliament, two distinct political entities. Catherine II was highly familiar with the principle of the separation of powers in finance: her famous "Instruction to the Legislative Commission" (1767) praised independent banks "which, by their credit, having established new signs of value, have increased also the circulation in these states."¹⁷ In accordance with the leading concepts and practices of the day, the empress instructed that "in order that in monarchical governments such establishments may be securely relied on, these Banks should be . . . independent of all magistracies, . . . so that all people may have the utmost confidence and assurance that the sovereign will never offer to meddle with the money, nor injure the credit of such establishments." Did the empress follow this principle in organizing the Assignat Banks? In some sense, yes. According to their statute, the Banks were "not dependent on any government [institution]," were governed by a board "under my Own [i.e., the empress's] supervision," and reported "about [their] actions to no one but Myself."¹⁸ Thus, the banks were separate from

the administration but stood under the empress's supreme command. This meaning of "independence" fully fit Catherine's interpretation of constitutional and administrative principles. In a similar vein, she interpreted the separation of powers as a separation of administrative functions under the umbrella of her indivisible monarchical authority. The culture of double standards that characterized the Russian Enlightenment allowed for this particular coexistence of ideas and practices standing in sharp contradiction with each other.

Even a small shift in the understanding of the nature of money and credit, that is, the interpretation of assignats as state obligations, had important political consequences. In 1770, Catherine's courtiers discussed a suggestion coming from the Bank's director Andrei Shuvalov, who thought the Assignat Banks could "vouch" for Russia's state foreign loans, that is, offer their bullion reserve as material collateral. The debate regarding the use of the banks' guarantees and resources to secure Russia's credit abroad reflected two competing views concerning state obligations. Ivan Chernyshev, one of Catherine's closest advisers, declared that state loans were based on the empress's personal vows, therefore "using the bank's warranty [for state loans] was inappropriate for the persona of Her Imperial Majesty, because the bank is not [to pledge on behalf of] Her Majesty who had established it, rather Her Majesty [is to pledge] on behalf of the bank, should it need to borrow money." Catherine disagreed: she perceived Russia's foreign loans as state obligations rather than her personal debts, and she expressed the "desire" that "people trust not the persona of the ruler, but the state itself," therefore confirming Peter the Great's principle of separating the state from the personality of the monarch.¹⁹ Shuvalov's proposal did not come to fruition at this point, but the discussion of it highlighted the growing divergences in thinking about money that would become clearer in subsequent debates. At the heart of this debate was a definition of royal authority, its attitude to society, and the role of money and banks in balancing the interests of both.

In Catherine's time, the question of the nature and limits of royal financial authority and credibility stood at the center of financial debates in Europe, especially after the crash of John Law's infamous financial "System" in France.²⁰ The collapse of John Law's financial pyramid delivered a crushing blow to the financial credibility of the French monarchy; it also raised the question of what should define the nominal value of money—its material worth or the ruler's word.²¹ Although at the beginning of his enterprise, Law claimed that the credit of his paper notes rested solely on "the assurance to be paid," he ended up staking the stability of his system on the sovereign will, and when

it started falling apart, he relied on state enforcement of the value of already inconvertible banknotes. Despite this misfortune, the French monarchy continued to live off loans, strengthening its dependence on local elites and inadvertently fostering ideas of political participation that gradually undermined the foundation of the monarchy.²² Therefore, historians consider the development of public credit in pre-revolutionary France as a precipitating factor in political regime change. Scholars also portray the spectacular success of the British system of public credit as an outcome of the Glorious Revolution and the growth of representative institutions. The Parliament's backing of public debt allowed the state to borrow at a much lower interest rate, therefore contributing to the emergence of Britain's fiscal-military state.²³ But even in the states where representative institutions were less powerful than the British parliament, they still came to play a central role in building financial apparatuses and public credit. For example, in Sweden, the Riksdag essentially controlled the Bank and its issuing policy, the principles of which were often defined in competition between various political parties.²⁴

No representative institutions of that sort existed in eighteenth-century Russia. Does this mean that the concept of state debt and public credit was devoid of any political connotation? Quite surprisingly, in the absence of an alternative center of political power, Catherine's financiers resorted to political concepts that were much more expansive and even potentially subversive. For example, a suggested *Reglement* (Charter) to the Assignat Banks presumably drafted in the late 1770s to early 1780s, introduced the notion of "the State all-people's treasury" in relation to the metal coin reserve of the Assignat Banks. As the *Reglement* explained, this "all-people's treasury," presumably distinct from the regular treasury of the state, was so named because "each of Our subjects carrying state assignats has a share in the capital of these banks, along with Our state offices . . . when they have the same state assignats." Encroachment upon the integrity of the people's treasury would be considered an assault not only on the ruler's interest but also "the property and the wellbeing" of all the empress's subjects.²⁵

The idea expressed in this statement—that an assignat is a certificate for a share of national wealth—sounds extremely radical for pre-1789 European political thought. That someone thought about people's participation in the national wealth may appear accidental and almost improbable in the context of monarchical Russia, and yet there could be no other interpretation of the statements expressed in this document that represented, perhaps, the first manifestation of the idea of popular sovereignty, albeit in financial terms. From the late eighteenth century until the revolution of 1917, Russian

political thinkers and economists repeatedly turned to the concept of paper money as a mandate for political participation in the common imperial household. In the absence of elected legislative institutions, this idea received more weight in Russia than in the West, although its roots can probably be found in European political philosophy. Memos and drafts that originated from the office of the procurator general Alexander Viazemskii, Catherine's key financial adviser, are replete with references to European books, concepts, terms, and institutions. The thinking of Andrei Shuvalov, the director of the Assignat Banks, also seems to have been very much influenced by French sources. A son of a famous financial *projecteur* of the Elizabethan era, count Andrei, a poet and socialite, spent several years in France in the early 1760s, where he befriended Voltaire. Catherine's enlightened bureaucrats were fully immersed into the intellectual life of Europe and the European debates on credit and finance.

"The idea of attaining people's trust under autocratic rule . . . does not have examples in history, and this idea belonged to no one other than Her Majesty," wrote Shuvalov in 1786, reflecting on the history of assignats. According to Shuvalov, back in 1768, nobody understood the role of banks, "and in general, it was considered a futile enterprise. . . . At first, people did not want to believe that paper money could successfully exist in Russia, and then they considered [the Bank] as a free-of-charge trunk for copper money."²⁶ This statement, referring to the widespread doubts in the compatibility of autocracy and a stable paper-based monetary system, was meant to emphasize the peculiarity of Russia's enlightened monarchy. The idea that a political regime defines monetary order apparently came from Montesquieu's *L'Esprit des Loix* (1751). The philosopher declared that in despotic countries, the representative link between things and money does not exist, and therefore, money cannot play its role properly.²⁷ Montesquieu also specifically named Russia as an example of a despotic country that cannot live under the normal regime of exchange, pointing out that its political laws were incompatible with commerce.²⁸ Catherine II and her enlightened courtiers tried to wash away the stigma of despotism; therefore, their efforts were directed not only at fixing the currency problems but also at improving the political image of the Russian financial system. It is also possible that they wanted to distance themselves from the image of the prodigal ruler associated with the French monarchy and severely criticized by the economists of the Enlightenment.

Montesquieu, writing about the relationships between government and credit institutions, described three kinds of paper bills: "a circulating paper which represents money," a bill that represents a company's current or future

profit, and “a paper which represents a debt.” While the first two kinds of paper money were “advantageous for the state,” the third category “can never be so” “for only a rich state could sustain such a paper”. Which of the three categories of paper notes did Russian assignats belong to? Initially, assignats circulated as the representatives of money; even while increasing the emission of paper notes, the government maintained a 1:1 balance between coins and assignats. In 1774, the empress passed the law declaring that the amount of paper issued was not to exceed 20 million rubles, but even this modicum of self-restraint did not last long. People continued to trust assignats that the government accepted in tax payment, and the exchange for coins remained uninterrupted for several years. However, the bullion reserve no longer matched the volume of paper money, and on the market, the assignats could be redeemed with a discount.²⁹ Thus, the initial idea of using assignats as a substitute for copper coins became obsolete. Did assignats belong to the second category of “papers,” those that, like the notes of the Bank of England, stood for an existing or expected commercial profit? No, since the Assignat Banks that issued and exchanged assignats were not, strictly speaking, credit institutions connected to commerce and production. Therefore, assignats represented “state debt.” To transform the nature of money, the Russian government had to reconsider the organization of the Assignat Banks and their relation to the state.

In 1783, Shuvalov received the empress’s approval to prepare a reform of Russian finance “following the example of the great European states that not as much by coins, but mostly by public credit have increased their wealth.”³⁰ The first step toward organizing the credit system and maintaining people’s trust in the Bank consisted of normalizing the Bank’s relations with the State Treasury and establishing a plan for the repayment of the state’s debt for assignats, that is, the amount released above the proportion fixed in the law. Another goal of Shuvalov’s plan was to link banks to commerce and trade, introduce “bank obligations,” and invite merchants and entrepreneurs to open bank accounts to facilitate commercial transactions and the transfer of funds.³¹ An important element of this plan was the institutionalization of “*argent de Banque*” (Shuvalov used French financial terminology) that “will stand above the assignats.”³²

In 1786, Shuvalov, with the help of a few other of Catherine’s high officials, put together these thoughts to propose a large-scale bank reorganization.³³ Remarkably, unlike Shuvalov’s preliminary memos that aimed to bring the bank closer to commerce and industry, this project placed strong emphasis on helping the government pay its assignat debt. By 1786, the debts of the treasury and the Cabinet combined had risen to 30 million rubles, plus 10 million

rubles of anticipated expenses and needs. This sum exceeded the state's annual revenues that the report considered a virtual security for treasury debts.³⁴ Paying back the entire sum, even in installments, would be too hard for the treasury and would necessitate the introduction of new taxes. Defaulting on this debt was impossible, because it would have ruined the government's reputation and people's trust in the banks. Therefore, the report offered an alternative combination: the Assignat Bank would lend 22 million rubles to nobility, via a newly established State Loan Bank, and 11 million rubles to merchants or cities, who would pay it back in twenty or twenty-two years with interest. Money earned on these loans would be used to redeem about half of the treasury's "assignat" debt to the Bank, which would gradually withdraw and destroy excessive assignats. The government would still be liable for the remaining debt, which it would pay back in installments, also with interest.

The main problem with this scheme was that it required yet another increase in the amount of issued assignats. In 1786, the volume of assignats in circulation reached 46 million rubles, which was already twice the limit established by law in 1774. Instead of simply legitimizing the existing issue, Shuvalov and his coauthors suggested raising the cap to 100 million rubles, of which about a third was intended for the loans to nobility and cities. Interestingly, the proposal did not mention how the amount of paper money should correspond to the bank's bullion reserve. It said, however, that the Assignat Banks, merged and renamed the State Assignat Bank, should make an effort to acquire gold and silver, instead of copper, to align its practice with European norms.

Thus, this reform project consists of a mixture of various, even somewhat contradictory, ideas. The idea of increasing the amount of *numeraire*, that is, paper money in circulation, as a way of stimulating trade and production betrayed the influence of mercantilism. Shuvalov and company were convinced that the shortage of money promoted usury, whereas pouring *numeraire* into circulation would do no harm. They wanted both to turn the Bank into something bigger than an exchange office and to change the nature of assignats from the simple substitutes of coins into banknotes linked to commerce and trade. However, if the financial assets of European banks consisted of promissory notes related to commercial transactions, Russian banks provided credit to the serf-owning nobility, who mostly splurged money on consumption rather than production. The reform, therefore, substituted a significant part of the bullion reserve in copper coins with the immovable property of noblemen, that is, the serf peasants.³⁵ As for the remaining, unbacked share of assignats, its value was meant to rest on an intangible

asset—the empress’s pledge and honor. The reform project therefore revealed a significant change in the political philosophy of monetary policy, namely, the reconsideration of the nature of monarchal obligations and the means of securing the value of currency. The value of paper money that used to be fully backed up by copper would instead hinge on three assets—the dwindling bullion reserve, the souls of serf peasants mortgaged in banks, and the empress’s word and honor.

Remarkably, Alexander Viazemskii, a frugal general procurator and the only one of Catherine’s advisers who spoke against the suggested reform, warned the empress that the increase in the amount of issued assignats would break the “sanctity” of her promise and distort the essence of the monetary system. Even more important, Viazemskii emphasized that the issue was illegal, because money stored in the Assignat banks belonged to the entirety of the “state” and not only the “treasury.” This idea looks familiar—it appeared in the project of the *Reglement* for Assignat Banks that designated the exchange fund as the “people’s treasury,” in contrast to the government’s treasury. In Viazemskii’s interpretation, the “state” encompassed both society and the government (as opposed to the treasury alone). To support this opinion, Viazemskii referred to the Manifesto of 1768 that had justified the introduction of assignats by the needs of state credit “and the good of each and every one of the monarch’s subjects.” In contrast to this idea of the ruble as a common good, the project of the new monetary law favored only the needs of the government treasury and nobility; it indulged luxury and undermined “public trust” for the sake of narrow and minute interests.³⁶ According to Viazemskii, the project perverted the original idea of assignats and could cause damage not only to the monetary system but also to the social and political foundations of the monarchy.

The first debate about the nature of money between Shuvalov and his coauthors, on the one side, and Viazemskii, on the other, shows the contours of future controversies between the two camps—those who saw no danger in the expansion of monetary mass beyond a limit secured by the bullion reserve and their opponents, who argued for the contraction of paper issue. Remarkably, Shuvalov and Viazemskii shared the Enlightenment spirit of cosmopolitanism and reform, and both seemed to agree on the main point regarding the responsibility of the government and the crown to pay back its debt. As Shuvalov wrote to Catherine in 1789, the redemption of assignat debts was essential “for the dignity of the state in front of your [i.e., empress’s] people and all of Europe.”³⁷ Therefore, in the sphere of political philosophy, their disagreements were subtler than in matters of economy. The two men

diverged in the interpretation of the ruler's power to change the nature of national currency. In this sense, their debate echoed European discussions of the mid-eighteenth century that also centered on the role of public authorities and economic "circumstances," that is, markets, in defining the value of money. The Enlightenment writers denied rulers the capacity to establish money's value—a claim suggesting that the state had limited power over economic forces.³⁸ Montesquieu, among others, insisted on the principle that money's worth (he certainly meant the coins) reflected its material value rather than the conditional, imaginary value imposed on it by the ruler. Maintaining the bullion reserve in an amount corresponding to the value of paper money was an extension of the same principle. This practice may appear economically useless and even absurd (why should the bank keep this enormous mass of copper?). However, in the eighteenth century, anchoring money's value by the solid matter of bullion reserve, in contrast to grounding it on the sovereign's promises, was seen as the most efficient way of checking the absolute ruler's power to issue money. In the absence of political guarantees, the bullion reserve played the key role of an anchor and a restraint on arbitrariness.

The second issue that divided Viazemskii's and Shuvalov's positions concerned the state and the crown's attitude to nobility. Viazemskii's worries about the consequences of tying the fiscal interests of treasury and nobility at the cost of inflating the national currency turned out to be prophetic. The loan to nobility, which was supposed to help the treasury redeem its debts in twenty years, evolved into a long-term financial dependence between the government and the landowning estate. Since serf owners mortgaged their estates at the State Loan Bank, which was subsidized by the State Assignat Bank, the ruble's fate came to be strongly associated with the state's policy of crediting landowning nobility. One author, writing in the 1880s, expressed the common opinion that "assignats had been released at the security of . . . noble estates."³⁹ Even after the extinction of assignats, the liquidation of the State Loan Bank and the emancipation of peasants, the idea of paper money embodying the connection between nobility and the crown continued to circulate and culminated in the creation of the Noble Land Bank in 1885, almost a century after the reform of 1786. The consequences of the initial arrangement went beyond rhetoric and ideology. State banks enjoyed a monopoly on the market of credit, offering nobility, along with the loans at the security of estates, an opportunity to deposit money at high interest. Constantly in debt, the state treasury actively borrowed money deposited by nobles at these institutions. As a result, nobles and the state were locked in a vicious circle of financial

obligations that could be maintained only as long as the state secured its monopoly on the production of paper money and preserved serfdom.

In 1786, Viazemskii could not predict how the system of state-noble financial relations would evolve in the decades to come, and his objections were mostly grounded in arguments of ethics and morality. He was fighting a losing battle: the bank "reform" sanctioned a *de facto* existing policy of inflation employed to fund the development of the serf economy as well as Russia's increasing imperialist ambitions. In 1785, Catherine's Charter to the Nobility reconfirmed her policy of privileging the ruling estate, and Shuvalov's plan of monetary reform simply offered financial grounds for the nobles' privileges secured by the Charter. It is no coincidence that the authors of the 1786 reform plan were lavishly rewarded for their work, with one receiving several serf villages in Ukraine.⁴⁰ The reform also signified an important shift in the interpretation of monarchal duties and the ideology of money. The rhetoric of the law promulgated on June 28, 1786, the day of the twenty-fourth anniversary of the coup d'état that brought Catherine to the throne, reflected this change. The empress swore by "the autocratic authority given by God and by the sanctity of the monarchal word for ourselves and for the heirs of the Russian Imperial Throne" not to exceed the limit of 100 million rubles assignat released in circulation.⁴¹ Catherine's Manifesto enacted the practice of pledging the credibility of state paper money, and this idea of using the sovereign's honor and prestige as a security was developed in subsequent monetary reforms.

The emphasis on the personal prestige of the ruler had much to do with the success of Catherine's financial, social, and administrative reforms and with Russia's rising geopolitical status, which were all associated in European public opinion with the name of the enlightened empress. The reform stressed that few monarchical regimes had been able to support the credibility of assignats, and the key to Russia's success had been Catherine's firm adherence to the principles of financial policy. However, this model of monetary issue encapsulated the paradox of absolutist rule: the personalization of responsibility subjected monarchal power to an ever-present danger of reputational losses incurred by the fall in value of paper currency. Besides, in the monarchical "scenarios of power," replete with the rituals of oath-taking, it was usually the sovereign's subjects who took the oath, not vice versa. Although Catherine's pledge was not sealed by religious ceremonies, the mere fact that she rhetorically vouched for the value of assignats created a source of concern and anxiety. All subsequent emissions of assignats were declared by the monarch's special supreme order upon the proposal of the general-governor

(and later, the minister of finance).⁴² The emphasis on trust and honor was also manifested in the ritualization of mundane procedures, such as the public burning on the square in front of the Senate building, of old assignats exempted from circulation.

“Why Does the Ruble Fall?”

Continued emissions of assignats and the decrease of their rate on the market spread anxiety and created a deficit of coins. In 1789, between 500 and 1,000 people came every day to the State Assignat Bank in St. Petersburg to exchange assignats for coins, and the bank, despite longer working hours, could not satisfy the demand.⁴³ To maintain exchange operations, the bank needed to have at its disposal 6–8 million rubles in coins annually. Fearful of the disruption in exchange, the government sent a secret order to provincial governors requesting that they deliver half (or at least a third) of their excise income in metal. This request only created a vicious circle of exchanges: to pay taxes in copper coins, people went to the bank and redeemed assignats for coins that were meant to satisfy the copper hunger. The Bank received exclusive rights to purchase all copper produced in Siberia for the needs of the exchange, but the real problem lay not in the productivity of copper mines. Rather, the Russian Empire was spending beyond its means, prioritizing geographical expansion over the internal development of production, commerce, and culture. Between 1786 and 1795, military expenditures consumed from 67% to 100% of Russia's ordinary revenues.⁴⁴ The government, however, looked elsewhere for the reasons for the ruble's fall. Count Alexander Bezbordko reckoned that the main problem was in the publicity of assignat emissions. In a sharp reversal from Shuvalov's statement that “the more [the state] trusts society, the bigger is the public's trust to it. Good deeds and good intentions do not need a veil,” Bezbordko called for secrecy in finance.⁴⁵ Public trust, as he thought, had nothing to do with the amount of paper money in circulation; it was the news about the issuance of assignats that made people anxious. Therefore, Bezbordko suggested preserving the secrecy of money issues: “the enigma of the proliferation of paper [money]” was seen as the key means to preventing the bank runs.⁴⁶

Was it possible to keep the “enigma” of paper money secret? Hardly. The fluctuation of the assignats' value affected not only their exchangeability for copper and silver; for Russian nobles spoiled by the habits of Western-style consumption, much more obvious and painful was the ruble's fall vis-à-vis European currencies. The ruble's standing in the world market was expressed

by the rate at which Russian bills of exchange were discounted at the European bourses in Amsterdam, London, Hamburg, and Paris. As Ivan Novikov, a bookkeeper and author of popular textbooks on finance, explained in his brochure *The Key to the Calculation of Rate*, the rate expressed the “price of the ruble.”⁴⁷ However, if for the noblemen the stability of the ruble’s rate defined their ability to enjoy the luxury of Western goods, for merchants, the ups and downs (mostly downs) of national currency, which devalued Russian goods on the world market while raising the prices of foreign goods, brought financial losses and the threat of bankruptcy. The fluctuations in the ruble’s international exchange rate began in the mid-1770s, when the influx of assignats shook the balance between the size of the bullion reserve and the amount of paper money in circulation. The government called on experts to investigate the causes of the rate’s fall, but, with the exception of economist Timofei Klingstaet, who attributed the demise of the ruble’s exchange rate to the multiplication of assignats, Russian officials believed that the ruble’s value had fallen due to the excess of luxury import, to contraband, and to foreign speculation.⁴⁸ Merchants’ petitions seconded this view. They held the nobility accountable for contaminating other classes with the pernicious habit of excessive consumption and the fall of the ruble’s rate, and they begged the government to take measures against the importation of foreign goods, especially luxury items, that sucked money out of the country.

The merchants’ critique of Russian “lovers of floppery”⁴⁹ highlights an important feature of Russian debates on money: the ruble’s rate was often associated with the economic behavior of social estates, while various interest groups often manipulated the government’s concerns over national money to receive privileges. Merchants blamed nobles for the lifestyle and consumption that had transfigured the Russian economy. The fall in the ruble’s rate certainly depreciated Russian goods; however, the inability of Russian industry, agriculture, and commerce to compete with European counterparts hardly resulted merely from the nobles’ preference for European stuff. The Westernization of lifestyle was the consequence of Russia’s political and economic Westernization; the “cost” was paid by nobles, serf peasants, merchants, and the state.⁵⁰

Russian commercial elites, therefore, attempted to use the government’s anxiety over the ruble’s fall to wangle privileges. Their suggestions for fixing the rate included, along with traditional measures against illegal trade and smuggling, the prohibition of the importation of luxury items and “unnecessary foreign commodities.”⁵¹ The list of “unnecessary” items encompassed “wines, Champagne and Bourgogne,” “rum” that people drank “as a fancy,”

pasta, noodles, cheese and “delicacies,” as well as “canaries and larks,” coconuts, gloves, “feathers (we have a lot of our own),” “silk stockings (we have our own manufacture in Moscow)” and many other items. Anchovies, sardines, lemons, oranges, oysters, mussels, and other goods not harvested or made in Russia were supposed to be heavily taxed. In other words, merchants wanted the government to abandon the regime of free trade and engage in a more protectionist policy. Remarkably, English merchants who exported Russian goods rather than bringing in foreign commodities, responded to the inquiry into the ruble’s fall in an entirely different manner, indicating that the exchange rate had fallen due to the excess production of paper assignats and copper money and to the depreciated quality of silver and gold coins.⁵²

Of the two versions of the story behind the fall of the ruble’s exchange rate, the government naturally preferred the one that explained the phenomenon through external influence rather than its domestic monetary policy. In 1793, Russia introduced new duties and prohibited the import of several categories of luxury goods. The exchange rate indeed improved a little; however, in the long run, the statistics of money printing and the exchange rate show a strong correlation between the assignats’ depreciation and the value of the ruble abroad. In 1787, one ruble was rated at 39 Dutch stuivers or 41 English pence; in 1790, it cost 30 stuivers or 31 pence, and in 1793 only 25 stuivers or 26 pence. The assignats’ rate to silver rubles showed similar dynamics. After the Manifesto of 1786 that allowed the volume of paper money to increase from 46 million to 100 million, the silver ruble’s value to assignats rose to 103 kopecks in 1786 and to 115 kopecks in 1790. By 1793, the mass of assignats had increased to 120 million, and the silver ruble’s cost to 135 kopecks assignat.⁵³ The correlation between the two rates’ fluctuation was not always straightforward. In addition to the increase of domestic (assignat) debt, Russia was actively borrowing money abroad, and the increasing annual payments for foreign obligations, along with the rise of military spending, also contributed to the ruble’s depreciation on the international market. It is important to note, however, that the government often treated these two issues separately and was reluctant to admit that the ruble’s international standing depended on its credibility at home.

In 1796, when Catherine died, one silver ruble “cost” 142 kopecks assignat, and after 1796, the gap between the value of the silver ruble and the ruble assignat, which was meant to be its “representative,” kept growing. Catherine’s son Paul I, embarrassed by the falling rate of the assignats and debasement of money, ordered the public burning of almost 6 million newly printed rubles assignat just after his accession to the throne. This took place in front of the

Winter Palace, the royal residence of his detested mother.⁵⁴ The burning of assignats symbolized Paul's deliberation "to eliminate . . . any kind of paper money and to never have it" again.⁵⁵ However, Paul I's plan to liquidate the assignats or at least to restore their convertibility was doomed. Shortly after resuming the exchange of assignats, the government had to suspend it and restart printing assignats with even greater intensity.⁵⁶

Catherine II's monetary policy established the institutional principles and, most crucially, the ideological tenets of the Russian financial system. These principles were not yet clear in 1768, when the empress signed the manifesto introducing assignats; the understanding of the meaning of assignats and the financial opportunities and political costs associated with paper money evolved gradually in the 1770s and 1780s. Catherine's dignitaries who stood behind the reforms, as well as the empress herself, were very familiar with contemporary European theories but applied them selectively. They bypassed, for instance, Montesquieu's warning that the sovereign's power over money is limited by the borders of the state and, even within the state, it is checked by economic conditions.

Russian assignats in many respects resembled other paper money of early modern Europe, such as the notes of the Bank of England, that originated as a king's war debts.⁵⁷ They differed in one important respect: while the King of England borrowed money from a private bank, Russian assignats, in the absence of creditors at home, appeared as the state's debt either to itself or, as the Catherine's courtiers believed, to its people. Shuvalov and others tried to present the Russian assignats as analogous to their European counterparts and used the elevated rhetoric of the treasury's obligation to the empress's subjects, as if the State Assignat Bank represented the public and stored the nation's wealth. Bezborodko, in a memo written for Paul I (presumably in 1797), bluntly declared that "the assignats . . . are nothing but the sovereign's loan from their subjects."⁵⁸

It is impossible to overestimate the ideological importance of recognizing assignats as a form of state borrowing from the population. Even though this recognition was not made a public declaration, it became a commonplace in the late eighteenth- and early nineteenth-century writings about money. In contrast to the monarchs of major European countries who had been chronically indebted to their vassals, bankers, corporations, and other subjects, Russian tsars never borrowed from their own people until the nineteenth century. It is an altogether different question of why Russian monarchs could not or did not want to borrow from the population; either the subjects were too poor, or, most likely, the ideology of autocratic paternalistic authority

did not allow that kind of dependence. In any case, the assignat debt was the first domestic debt of the state, and its recognition had profound political implications. No longer was the financial relationship between the state and the public seen as one-directional. As Michael Kwass writes about eighteenth-century French finance, “Borrowing tested public confidence in the monarchy and may have paradoxically reinforced democratic habits of political participation internal to corporate groups.”⁵⁹ Due to the absence of corporate credit communities or institutions that entered into negotiations with the crown, assignats could not bear the same meaning. However, the idea of the state’s (or the monarch’s) indebtedness endowed the state’s creditors with some political agency. Theoretically, the entirety of the population turned into the empress’s creditor. This rhetoric contrasted sharply with institutional realities: the Assignat Bank was no more than yet another office of imperial administration that played no role in defining the principles of issuing money. Nevertheless, the idea of the Bank as an institution representing the nation’s wealth, which had made its first appearance in the 1770s and 1780s, came to play a central role in the nineteenth-century liberal discourse about money.

Autocracy or Representation?

THE POLITICAL PHILOSOPHY OF MONEY IN THE
AGE OF NAPOLEON AND AFTER

Skin Money

The subjects of the Russian tsar Alexander I lived on three continents, and often they used different money. Some carried coins in their pockets and never encountered paper money; in other provinces, metal money was a rarity. From 1817 until Russia's sale of Alaska in 1867, the workers of the Russian American Company received their meager salaries in pieces of tanned leather branded with the company's seal that featured a Russian two-headed eagle and the signature of the company's director. Assignats were in short supply in Russian America, while coins imported from the mainland quickly disappeared from circulation.¹ Therefore, in 1816, the Russian administration in America started issuing its own private money called "*marki*" that in design and colors resembled paper assignats. Printed on the skin of sea animals, Alaska's most precious commodity, and delivered to the colony from St. Petersburg, leather rubles and kopecks circulated in Sitka, Kodiak, the Aleutian Islands, and the Russian possessions in California. Backed by nothing other than the military and administrative power of the Russian colonial authority in America, leather money represented the quintessential example of the currency of power, a projection of the unlimited authority of the tsar's colonial proxy. The extraction economy of Russia's colony in Alaska assumed the restriction of the free market of goods and labor for the conscripted natives: the company's stores monopolized trade selling simple merchandise at high prices for "marks" while the economically enserfed Aleut and Alutiiq hunters were forced to work for the company delivering precious