ON THE FORMATION OF FINANCIAL BODIES
AND FINANCIAL POLICY OF THE KAZAKH REPUBLIC
IN THE 20S OF XX CENTURY

The article is devoted to the history of formation and sequential strengthening of the financial structure of Kazakhstan in the 20s of the early twentieth century.

It covers some issues of the construction of a new state institution, which was designed to provide financial support to all public authorities, the national economy of the Republic, in general, all life-supporting industries in the most difficult for the time, conditions when there is a change of social order, accompanied by civil war, famine and devastation.

The main stages of formation, interaction with other state bodies, financial policy, personnel potential of the financial system are analyzed. The research is based on documents and materials of archival funds, other materials are involved.

Key words: branches of national economy, financial structure, financial provision, estimates, history of organization, cash institutions, People’s Committee of Finance
О формировании финансовых органов и финансовой политики Казахской АССР в начале 20-х годов XX века

Статья посвящена истории формирования и последовательного укрепления финансовой структуры Казахстана в 1920-ые годы нач. ХХ века. Освещает отдельные вопросы строительства нового государственного учреждения, который был призван финансово обеспечить все государственные органы управления, народное хозяйство республики, в целом все жизнеобеспечивающие отрасли в наиболее сложные для того времени условия, когда происходит смена общественного устройства, сопровождаемая гражданской войной, голодом и разрухой.

В статье анализируются основные этапы формирования финансовой системы Республики Казахстан, направления, функции финансовой политики, взаимодействие с другими государственными органами, образование государственных финансовых структур, вопросы и пути финансового обеспечения государства, кадровый потенциал финансовой системы, а также проблемы кадровой политики государства. Исследование основано на документах и материалах архивных фондов.

Ключевые слова: отрасли народного хозяйства, финансовая структура, финансовое обеспечение, сметы, история учреждений, кассовые учреждения, Наркомфин.

Introduction

The beginning of the twentieth century was marked by many different shocks, on the one hand, led to the beginning of the birth of a new historical epoch of formation and development of the new system, which played a pivotal role in the fate of the Kazakh people, on the other hand, the tragedies of the fate of the people is infinitely exchangeable with new challenges.

Thus, in the beginning of the XX century in the history of the Kazakh Republic of the critical period there were major shocks: the struggle with the tsarist power in 1916, then the revolution in Russia and the change of the tsarist regime, the civil war, caused by the confrontation between white and red, ended with the establishment of a new system of governance.

In the new system of formation, a special role is given to the organizational structure of sphere that are essential, fundamental, ensuring the viability and life activity, in this case, in the meaning of the established state, in that critical period.

This stage is characterized by a pivotal moment in the fate of the Kazakh people, who, despite the deprivation, build a new state, create its life-supporting structures, as authorities and sectoral institutions.

Purpose and methods of research

The purpose of the article is to consider the initial stage of formation of the first financial structures of the Republic in the early 1920s on the basis of the analysis of the NKF Fund documents. Proceeding from these purposes, the task of disclosure of the first financial body role of the Republic to strengthen the new financial apparatus in the field is set in challenging conditions of the 20-ies associated with the intertwining interests of various approaches; also to consider the actual financial policy of the first years of establishment of the system of state management of the Soviet period in an understanding of the financial policy of the new order.

The methodological basis of this work was the documents deposited in the funds of archives and materials and other sources, some of which were not put into scientific circulation.

The topic is considered in conjunction with the works of Soviet Kazakh researchers who studied scientifically based separate provisions of the period of formation of the new state system of the Republic in the 1920s – 30s.

Historicism, analysis, systematization and objectivity in the presentation of the studied sources and materials were the fundamental methods in the disclosure of the content of the work.

Discussion

The first significant step in the creation of the financial apparatus of the Republic was the holding of a joint meeting of the Military Revolutionary Committee and the Financial Board of the Orenburg provincial Committee on February 6, 1920.

In the minutes of the meetings observed participants on behalf of the newly established Soviet fi-
The financial Board, the Bolsheviks, whose Chairman at the time was revolutionary Commissar Pestkovsky then Galin- head of the Gubernsky Finance Department, also appointed representative from the Central office of the Department of Finance, auditor – instructor Istomin and other representatives invited from local bodies (Finansial headquarters of Kazakhstan, 1996: 11).

At this meeting, Pestkovsky reports on the state of Affairs in the whole country and emphasizes the importance of the decision that the seventh all-Russian Congress of Soviets considered the issue of financial support for the activities of the Bolsheviks in Kazakhstan. That is, in the beginning it was about the creation of financial institutions at the local level to strengthen Bolshevism through the creation of the Soviet authorities.

At the end of the meeting, as the range of financial issues expanded, after a difficult discussion and debate of the parties, representatives of local authorities were particularly active, who set the task of financing necessity the entire Republic and the formation of unitary financial apparatus for the whole Kazakhstan. Also at this meeting the question of subordination of earlier existing other financial bodies to this apparatus was highlighted.

As can be seen from the documents adopted at this meeting and after the meetings and decisions made on their basis, the Central financial management apparatus began to form later.

The basis for the implementation of all financial policies are the development of new normative acts and regulations, Decrees and their justification. The regulatory framework for the formation of the financial apparatus of the Autonomous Soviet Kazakh Republic were laid in the resolution adopted by the Congress of Soviets of the KSSR from July 17, 1920.

At the first stage of the creation of financial structures there are many problems that required immediate solutions. First of all, based on the decisions, it was necessary to liquidate, and in some cases to transform the old, tsarist savings banks in the appropriate budget and cash institutions of the new Soviet content.

According to the new regulation, all existing local financial institutions of the old order had to be liquidated. But the process of elimination went on quite a long time, and this was due to many reasons. Along with the new structures there were so-called cash desks, formed in the tsarist period and continued their work under the new Soviet system. For example, ticket offices operated at the Railways, at the post.

The Circular of the Central budget management is issued to solve these and many other problems which, all Orenburg independent and central savings banks at the budgetary institutions of the people’s bank and Treasury with estimate and calculation cash institutions must be attached to the financial body which was later established as the People’s Commissariat of Finance. Regulatory framework for giving effect to this solution, were new regulations on the gubernsky and county financial bodies, developed for a certain time.

The liquidation department of the C.B.R.M. has completed the reform on the elimination of the old cash structures and merge them with the newly formed financial entities on June 14, 1920 (CSA RK, F. 229. In. 1. c. 6: 5-6).

The Central Budget office, its order of June 14, 1920 ceased operations in Orenburg, Orsk, Turgay, Irgiz railway ticket offices, which were transferred to People’s Commissariat the already established by this time. This primarily concerned the activities of savings banks, acted since the time of the old regime. They are transferred to the estimate and calculation cash organizations discharge of the local Soviet financial body, headed by the already formed and acted at the time of the People’s Commissariat.

There is a merge of the so-called independent and central cash offices of budgetary institutions with the further strengthening of local financial institutions. By this time, still operating independent savings banks of the old order in various directions, such as postal-telegraph, railway, factories and plants, parish were eliminated and formed the basis for the creation the Soviet budget and expenditure offices, subordinated to the financial body of the new content, which laid the foundation for the creation of a new system of financial structure of the Republic headed by the the People’s Commissariat of the Republic in the second half of 1920.

With the development of the system and the expansion of the power of the new structure, in order to strengthen began to involve in the management of officials of the old financial structure, who know the basis for the establishment of financial structures of the tsarist banking system. Despite the lack of confidence of the Soviets to the alashordyntsy (Alash Horde representatives), indigenous financiers, educated and experienced of the old cash institutions were involved in strengthening the new management system of governance, as noted in one of the report notes «...backed up by activities, educated and willing to reinforce statehood by the creation of a new system of governance in it, the alashordyntsy and all those who were not indifferent to the fate of the
country, at a turning point in history....» (CSARK. F. 229. In. 1, c. 56]. After a full survey of the financial situation in the country, the new financial body develops regulations which would regulate the activities of financial institutions, caused by the new goals and objectives.

In order to finance the already formed new bodies of state power and the formation of sectors of national economy, it was necessary to urgently create and put into operation new banknotes that explain the current difficult situation. Besides the natural necessity of the introduction of new banknotes, as, in parallel, there was propaganda that there is no need to create and introduce new banknotes on the one hand, in contrast to these undertakings, on the other hand, there were erroneous approaches on the part of the system of local authorities. This was facilitated by the fact that in the early years of the new proletarian government there was an erroneous opinion that money as a means of circulation will be repealed, that it is characteristic only of the capitalist society, and there will be no need for this, because the new world will not recognize money as means.

With this purpose any money mass is to be destroyed, replacing them with a natural exchange. And this misconception has led to the fact that, in reality, policy documents were adopted, which include «...In order to reduce the currency note and the early destruction of the monetary system to appeal to the people’s Commissariat of KSSR, to take real steps to establishing a non-monetary transaction as between the Soviet institutions, so between them and private persons» (CSARK, F. 229. In. 1, c. 3:22).

This issue played a negative role when the still acting old human resources capacity and money circulation without replacement by new and newly formed tax structures are being destroyed and the further formation of a new financial structure is suspended.

In this difficult situation, due to the lack of qualified personnel, the people’s Commissariat of Finance issues a circular order, which states that it is necessary to carefully preserve the documents of the existing tax authorities, as well as to preserve the structures of the newly created tax authorities and use the existing old staff for other work in the financial system, where there is a shortage of workers.

At the initial stage of activity, not so long ago recruited from different strata into the service (including officials of the old service), tax agents were involved in such types of work as instructing the local population in the financial policy of the Soviet state.

The circular letter of the RSFSR PCF clarifies this issue as follows: «The change in the course of economic policy, which means the productive forces of the country through the development of private-economic activity and private initiative with the resulting admission of free private circulation for a long period radically changes the tasks facing financial institutions.

If, previously, this policy was based on the use of monetary emissions by sources of income that replaced taxes, it had in prospect impairment of previously issued money and the gradual complete elimination of them from the sphere of state economic activity, at present, there can be no question of the disappearance of monetary circulation» (CSARK, F. 229. In. 1, c. 6:5-6).

As already noted, along with the creation of the financial apparatus, one of the fundamental points during this period was the development and implementation of a new type of banknotes, which was facilitated by explanatory work among the population and the employees who do not yet have experience.

In particular, in one of the address it is noted that,»....there is a problem of strengthening of the monetary unit which has been observed for the last four years is an obstacle to the development of a healthy private economic activity and for the systematic maintenance of the state of the economy, because without a stable currency, neither economic accounting nor economic calculation of the expediency and profitability of any event is made possible. From the point of view of monetary unit stabilization at present financial policy is rebuilt. Since this task cannot be carried out in a short time, the immediate task is to carry out urgent measures to restore the revenue side of our budget in order to maintain emissions and their gradual suspension in the future, at the same time slowing the rate of depreciation of the ruble...» (CSARK, F. 229. In. 1, c. 3:22).

Representatives of local authorities, delegated from all parts of the Republic to 1 all-Kazakh Congress of Soviets of the Republic, as the authorized Congress delegates after the clarification works, aware of the threat to the sovereignty of the Republic in the absence of funding, explain about the accumulated problems in connection with lack of funds and give the mandate to representative of the people’s Commissariat of Finance of the KSSR about the need for funding of local bodies. Thus, in the adoption of the resolution of the 1st all – Kazakh Congress of the Soviets, representatives from different areas actively speak, who influenced the decision to develop a system of targeted monetary fees levied in connection with the satisfaction of various local needs spent in the national order.
Also, work is gradually underway to restore the old bodies and to form new financial approaches in the financing of the Republic.

During this period, the restoration of the revenue side of the budget is carried out in two directions – the introduction of the tax, on the one hand, and the restoration of the payment of services provided by the state and products released to it on the other hand.

In the published decree «The regulations on commercial tax.» of July 26, 1921 the next task about local taxes and target fees concerning stamp is set, it is also expected in the future, the introduction of a number of indirect taxes [CSARK, F. 229. In. 1, c. 4:12].

An area of the introduction of payments by the PCF, on the one hand, proceeded from the determination of the actual cost of services and products, taking into account all elements of production, and, on the other hand, it understands a decrease in the purchasing ability of the population.

In order to better take into account the work of individual enterprises and departments instead of natural tax the decision on introduction of payment in relation to government institution and enterprises is taken and the introduction of in the financial calculations accounting transfer. In addition, the decree of 4 July, 1921 on the payment of transport by rail and waterways and on payment of municipal services in water supply, sewerage, electric light and urban rail was published.

Further radical changes of former prices for release of goods for the purpose of accordance of actual cost of goods with market prices on them are planned. As monetary compensation of public servants was insufficient for payment for the products and services which are released by them on these new rates, the state made the decision on acceptance of these expenses on workers and employees on itself completely and partially, by direct payments between organizations and the enterprises.

In parallel with these activities in the field of financial policy, the people’s Commissariat of Finance identifies new challenges in the field of credit policy. In this regard, a number of measures in the development of the decree of June 30 are being developed, which would contribute to the resumption of the inflow of deposits, the resumption of lending to private entrepreneurs’ cooperation in order to revive private economic activity. The first step on the planned path is the adoption of the decree of 25.07.1921. «About cooperation credit» [CSARK, F. 229. In. 1, c. 4:22]

Reporting on the new direction of financial policy for the information of the leadership, the people’s Commissariat of Finance proposes to take broad measures to promote the new policy among the population, it is explained that the severity of the tax is compensated by those contributions that the population will receive from the suspension of further impairment of the monetary unit. Thus, in one of the proclamations spread out among the urban population is given the following explanation «...you must keep in mind that no financial measures, as they were not appropriate, will not have success if their value remains unclear for the population and implementation them in life will encounter passive resistance...» [CSARK, F. 229. In. 1, c. 34:162-163].

As a follow-up to the above provision, addition of guidance nature is issued to clarify the substance of the financial policy and the necessity to implement it. Particular attention is paid to the need to streamline the monetary system in establishing the right foundations aimed at creating a deficit-free budget in the Republic. At the initial stage of formation of financial systems in the Republic, solving these problems were the main.

**Conclusion**

Thus, at the initial stage of the construction of the financial system, there were issues of financial provision of the activities of the Bolsheviks. Later, the question of financing the established branches of the national economy is raised. For this purpose, began to form and, accordingly, to finance management apparatus systems in the Republic.

The next significant step in the creation of the financial structure was the adoption of measures for the final elimination of the so-called «old cash offices» and practical steps to create the financial structure were initiated by the liquidation of the old cash structures of the former government.

Since the second half of 1920, there has been a turning point towards the revision of the wrong approaches due to lack of knowledge in understanding the essence of money.

Gradually, there is a new vision and understanding of raising the economy through the revival of some sides of the private activity, the introduction of a money circulation, as well as the revival of an old tax collection methods, as budgetary funds selected from all-union monetary fund into the Republic practically do not provide the needs in the proper amount, moreover, there was need of funds to fight the famine of 1921.
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