The Russian Empire on the eve of the world economic crisis of 1900-1903

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Abstract.
The article offers a fascinating look at one of the most difficult periods in Russian history: the economic crisis of the early 20th century. Analyzing the events of 1900-1903, the authors reveal the complex factors underlying this crisis: from falling commodity prices to military conflicts and internal social upheavals. By revealing the impact of the lives of ordinary citizens and the luxurious lifestyles of the elite, the article offers a unique perspective on the contradictions that grew in the country and subsequently led to significant social and political changes. But that was not enough; the article also analyzes the events that prolonged the crisis until 1909, including the Russo-Japanese War and the revolution of 1905-1907, and highlights their impact on economic instability. Special attention is paid to the economic situation of Azerbaijan in the Russian Empire at the beginning of the 20th century and its role in the context of the general economic crisis is explored.

Keywords:
recovery
crisis
policy
results
economy
**Introduction:** The late 19th century was a period of significant fluctuations in the world economy, characterized by the rapid growth of industrial production, especially in developed countries. A 65 percent increase in global coal production, a more than 70 percent increase in iron smelting, and a threefold increase in steel production created the illusion of stability and prosperity. The year 1900, however, brought a sudden crisis that was a serious test for the world economy. The crisis led to changes in the economic policy of many countries and became a turning point in the development of the global financial system.

The crisis in Europe and the United States in 1900-1901 was full-scale and severely affected foreign trade and the financial sector. Many banks failed and the world economy collapsed. Signs of a crisis in Russia began to appear in late 1899. The bankruptcies of the largest local entrepreneurs involved in railway construction, such as P.P. von Derviz and S.I. Mamontov, as well as the "black day" on the St. Petersburg Stock Exchange on September 23, were a harbinger of a global economic turmoil. In Russia, the crisis led to a massive withdrawal of foreign capital from the industrial and banking sectors, with an increase of 55 percent. It was accompanied by a 75% drop in the value of Russian stocks and a sharp increase in the cost of credit. Economic instability was felt in all sectors of society and led to serious concerns and negative consequences for the Russian economy as a whole.

"Causes of the crisis"

1. Structural problems of the Russian economy:
   At the beginning of the 20th century, Russia remained a predominantly agriculture-based country, with agriculture being the main engine of the economy. But the sector suffered from low productivity, technological backwardness and lack of modernization. However, the industrialization that had begun in the country faced problems such as inadequate infrastructure, lack of skilled labour, and ill-conceived government policies to promote industrial development.

   Corruption was widespread in various spheres of the Russian economy and society. Corruption and lack of transparency in government operations and business undermined investor confidence and slowed economic growth. In addition, corruption reduced the efficiency of the state apparatus and increased...
inequality in society. (1, p. 485)

Poor governance and lack of coordination in economic policies also contributed to the crisis. The situation was exacerbated by the lack of a clear development strategy, inconsistent reforms and a lack of measures to deal with the problems in the economy (such as low productivity, lack of infrastructure and education). (2, p.12)

**External factors**

At the end of the 20th century, Russia felt the impact of global economic turmoil. Some countries, notably the USA and Germany, increased their economic power by competing with Russian goods in world markets. This led to a deterioration in Russia's trade balance and a decline in export revenues.

1. International financial crises:

   Between 1900 and 1903, the world economy experienced financial crises, such as the crisis of the 1890s and the crisis in the United States in 1901. These crises affected international financial flows and investments, which in turn affected the Russian economy.

2. Foreign debts:

   Russia actively borrowed on the international market to finance its projects, such as infrastructure development and military operations. (In 1901, foreign debt had risen to 2.4 billion.) The accumulation of foreign debts created additional pressures on the Russian economy, especially if these funds were not used efficiently.

"Consequences of the crisis"

Light industry was affected first, but the crisis soon spread to heavy industry. During these difficult years: (17)

- 361 million rubles "abandoned" from Russia in 1899
- The growth rate of industrial production in Russia fell sharply: 1900 - %5, 1901 - %4, 1902 - %0,1, 1903 - %6,5.
- Many banks went bankrupt.
- In 1899-1901 the State Bank had to increase the accounting of promissory notes and lending operations.

On January 1, 1899, accounting and lending operations on special current accounts amounted to 169.8 million rubles, commodity loans amounted to 22.2 million rubles, and other loans amounted to 30.6 million rubles. then on January 1, 1902, it was 329.3 million rubles and 46.8 million rubles, and 57.6 million rubles, respectively. In most cases loans were
"exceptional", i.e. illegal.
- Nearly 3000 businesses were closed.
- Shares of leading factories collapsed: Putilovsky - 67.1%, Sormovsky - 74%, Russia-Baltic - 63.4%, Bryansk - 86.5%, Nobel - 39.7%, Baku Oil Company - 67.4%, Southeastern Railway - 56.2%, Bank of St. Petersburg - 59.3%.
- Steam locomotive production doubled and wagon production tripled.
- Even in 1908 oil production did not reach the level of 1900.
- The average growth rate in light industry fell from 6% to 4%.
- Iron smelting by 15%, railway rolling stock by 32%, locomotive and wagon production by 25-37%.
- The gold reserves of the State Bank fell from 1.008 billion rubles to 709.5 million rubles. The mood of protest grew in Russian society.

Crisis events in the largest and most intensively developing areas of production posed a particular threat to the Russian economy: metallurgy, oil production, textiles and machine building. Coal and oil shortages made the energy crisis a reality. From 1889 to 1902 (the height of the Depression), the world depression of 1900-1903 was a catalyst for the concentration of production and capital. Small businesses went bankrupt, the role of monopolies increased. This was contributed not only by the crisis, but also by the technical progress of the time, which required huge investments.

"Overcoming the crisis"
To overcome the crisis and mitigate its negative impact, the government strengthened and in some cases initiated the creation of large banking and industrial associations in the form of companies, trusts and consortia. In 1901 most of the large private factories of this profile, especially Putilovsky, Bryansk Sormovsky, etc., formed the "Prodparovoz" union. The state provided this union with concessional loans and state orders. Similar processes took place in the banking sector, where two consortia were created from the same conditions: "Prodomed" (1902), "Prodvagon" (1904), "Produgol" (1904), etc. The first was run by the Russian-Asian Bank, closely linked to French capital, and the second by the St. Petersburg International Bank. An industrial and financial oligarchy was
rapidly taking shape in the country. Unlike in Europe, where the crisis was relatively short (until 1903), in Russia it developed into a long-term depression that lasted until 1909. A year after the end of the economic crisis and the ensuing depression, the Russo-Japanese War began, followed by the revolution of 1905-1907. This was the most difficult test for a monetary system created less than 10 years ago. Despite the general economic crisis and the war, the financial system was too weak to withstand the revolution.

Russo-Japanese War:
(January 27 (February 9) 1904 - August 23 (September 5) 1905) - the war between the Russian and Japanese empires for control of Manchuria, Korea and the Yellow Sea. (15, p. 351)
In the entire Russian policy of the first half of the reign of Emperor Nicholas II, the problems of the Far East - the "great Asiatic program" came first: The Russian autocrat said directly during his meeting with the Emperor Wilhelm II at Reval. Russia considers it the duty of its government to strengthen and consolidate its influence in East Asia. (7, p. 25) (8, p. 492)
Before Nicholas II, the greatest obstacle to Russia's dominance in the Far East was Japan.

Figure 1
Map of high-speed trains on the route Moscow - Dalniy (Москва-Дальний) (1903)
Travel time - 13-14 days) After the Meiji Restoration in 1868, Japan carried out a large-scale modernization of the country's economy, and by the mid-1890s began a policy of opening up to the outside world, primarily to geographically close Korea. Faced with Chinese resistance, Japan inflicted a crushing defeat on China during the Sino-Japanese War (1894-1895). After the war, the Treaty of Shimonoseki, signed in 1895, marked the renunciation of all Chinese claims to Korea and the cession of several territories to Japan, including the Liaodong Peninsula and Manchuria. These achievements of Japan dramatically increased its power and influence, which did not suit the interests of the European states, so Germany, Russia and France managed to achieve a change in circumstances: A tripartite intervention with Russia's participation caused Japan to abandon inventions. Liaodong Peninsula and then leased it to Russia in 1898. The realization that Russia had effectively taken the Liaodong Peninsula from Japan, which it had seized during the war, led to a new wave of Japanese militarization, this time directed against Russia.

In 1903, the dispute over Russian timber concessions in Korea and continued Russian exploration in Manchuria led to a sharp deterioration in Russo-Japanese relations. Nicholas II did not make concessions, despite the weakness of the Russian military presence in the Far East, because for him the situation for Russia was fundamental: the problem of access to ice-free seas and the problem of the domination of a relatively sparsely populated population. The vast expanse of Manchuria was unraveling. Japan, on the other hand, was eager to complete its domination of Korea and demanded that Russia clear Manchuria. According to Professor Sergei Oldenburg, a researcher of the reign of Emperor Nicholas II, Russia could avoid a struggle with Japan only at the cost of surrender and expulsion from the Far East, and many were partly uncompromising on this (including the delay). By sending reinforcements to Manchuria), Japan could not help not only preventing, but even delaying, its decision to start a war with Russia, to which it was both essentially and aggressor. (3, p. 18) In October 1901, Nicholas II told Prince Henry: "Conflict is inevitable, but I hope not earlier than
in four years; then we will have the advantage at sea. This is our main interest."

At the end of December 1903, the General Staff summarized all the intelligence received in a memorandum to Nicholas II: He concluded that Japan had fully completed its preparations for war and was only waiting for the opportunity to attack. Along with real evidence of the inevitability of war, Russian military intelligence was able to set an almost precise date for the start of the war. But Nicholas II and his entourage did not take any extraordinary measures. The indecision of top officials led to the failure to fully implement even one of the campaign plans drawn up by A. N. Kuropatkin, E. I. Alekseev and the General Staff of the Navy against the Far Eastern neighbor. In January Kuropatkin accused V.K. Plehve of helping to start the war, to which he replied: "We need a small, victorious war to save the revolution." On December 31 (January 13) 1904, Japan, through its ambassador, proposed to Russia a treaty formula in which Manchuria would remain outside the zone of Japanese interests and Korea would remain outside the zone of Russian interests. Nicholas II postponed negotiations, and there was no response until January 22 (February 4), so on January 24 (February 6) Japan announced the severance of diplomatic relations with Russia. (6, p. 161) On the night of January 27 (February 9) 1904, the Japanese fleet, without a formal declaration of war, suddenly attacked the Russian fleet on the outer roads of Port Arthur, causing the destruction of the largest number of the most powerful ships. The Russian fleet in the Pacific Ocean and the unhindered landing of Japanese troops in Korea in February 1904 (5, p. 125) In May, the Japanese took advantage of the inaction of the Russian command to land their troops on the Kwantung Peninsula and cut the railroad link between Port Arthur and Russia. The siege of Port Arthur began in early August 1904 by Japanese troops, and on December 20, 1904 (January 2, 1905) the garrison of the fortress was forced to surrender. The remnants of the Russian fleet at Port Arthur were sunk by Japanese siege artillery or blown up by their own crews. (Number of armies) In February 1905, the Japanese forced the Russian army to retreat in the general battle at Mukden,
and on May 14 (27), 1905 – May 15 (28), 1905, they defeated the Russian fleet in the battle of Tsushima. Far East from the Baltic. The reasons for the failures and specific defeats of the Russian army and navy were related to many factors, but the main ones were the lack of military-strategic preparation, the remoteness of the area of military operations from the main centers of the country and its army, extremely limited communication networks and the technological backwardness of Tsarist Russia against the enemy. As a result of the defeats in this war, a revolutionary situation emerged and developed in Russia from the beginning of January 1905.

<table>
<thead>
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<th></th>
<th>Japan</th>
<th>Russia</th>
<th>Russia (east of Baikal)</th>
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<tbody>
<tr>
<td>Peacetime Army</td>
<td>18 000</td>
<td>1 100 00</td>
<td>125 000–150 000</td>
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<tr>
<td>Together with reservists</td>
<td>850 000</td>
<td>4 541 000</td>
<td>n/a</td>
</tr>
<tr>
<td>Population (for reference)</td>
<td>46 000 000</td>
<td>141 000 000</td>
<td>~ 1 000 000</td>
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The war ended with the Treaty of Portsmouth, signed on August 23 (September 5), 1905, in which Russia ceded the southern part of Sakhalin to Japan and leased the Liaodong Peninsula and the South Manchurian Railway.

The consequences of the Russo-Japanese war and the revolution of 1905-1907. The war with Japan had a very serious negative impact on Russia's finances. This is reflected in the following dynamics of foreign loans: (17)

1. In 1904 a 5 percent obligation of the State Treasury in the amount of 300 million rubles was imposed on France;
2. 4.5% loan in Germany in 1905 for 231.5 million rubles,
3. 5 percent, short-term liabilities in Germany in 1905 in the amount of 150 million rubles,
4. Short-term loans of 5.5 percent were granted to Russia, Germany and France for 288.3 million rubles,
5. In 1906, almost the entire 5 percent loan was granted to France for 843.75 million rubles.

Total: 1,813.55 million rubles in less than 3 years!
Revolution of 1905-1907:

The 1905 Revolution, or the First Russian Revolution, was a historical event that took place in the Russian Empire from January 1905 to June 1907. (3, p. 56) The cause of the start of the revolution was a strike at the Putilov factory on January 3. Strike leads to "Bloody Sunday" - On January 9 (22) 1905 in St. Petersburg a peaceful demonstration of workers led by Priest Georgy Gapo was shot by troops (96 killed, 333 wounded, 34 of them in February, Report of the Director of the Police Department A. A. Lopukhin to the Minister of the Interior A. G. Buligin on the events of January 9. (3, s. 91)

During this period, the strike movement was particularly widespread and there were mutinies in the army and navy that resulted in mass protests against the monarchy; in Nicholas II's Manifesto "On the Establishment of the State Duma" of August 6, 1905, the State Duma was established as a legislative body under the rule of the monarch. But the unrest did not stop. The result of the speeches was the Manifesto of October 17, 1905, which recognized civil liberties based on personal integrity, freedom of conscience, expression, assembly and organization. The Manifesto expanded the powers of the future State Duma: the legislature was transformed from an advisory to a legislative body.

The revolution was followed by a reaction: On June 3, 1907, the "Third June Coup" (3, p. 60) took place, the result of the second Duma elections in 1907. Further strengthening the role of revolutionary parties. The rules of the elections to the State Duma were changed to increase the number of deputies loyal to the monarchy; local authorities did not respect the freedoms proclaimed in the Manifesto of October 17, 1905; and the agrarian problem, the most important for the majority of the country's population, was not solved. (The social tension that led to the First Russian Revolution, which set the stage for the subsequent revolutionary uprising of 1917, was not completely eliminated.)

"The State Bank in the period of economic crisis and changes in Russia (1905-1914)"

By 1906 the system of gold monometallism was on the verge of collapse. At the end of 1905, mass political rallies and
strikes, in which the employees of the State Bank participated, led to the departure from St. Petersburg of French bankers who had come there to negotiate another loan.

Demand for gold deposits increased and the introduction of credit notes for gold swaps took place. Despite the increase in the official discount rate to 8%, the demand for loans from commercial and industrial organizations increased significantly. The inability to meet this demand due to the strong flow of deposits from incorporated commercial banks forced the State Bank to increase its accounting and lending activities to prevent a major bankruptcy. (16, p. 113)

The flow of gold abroad began. From October 16 to December 1, 1905, the State Bank's gold fund fell from 1.3188 to 1.1261 billion rubles. On December 19, 1905, the gold collateral for credit rubles fell below the limit set by the 1897 law. In January 1906, the crisis was resolved in France with the settlement of a loan of 100 million rubles, which was repaid with the proceeds of the loan closed in April of the same year.

The intensive recalculation of private banks' bills by the State Bank in 1905-1906 in order to combat the crisis became one of its main activities in the following years. The State Bank began to transform from a bank of short-term commercial loans into a "bank of banks". The total debt of private banks to the State Bank amounted to 37.3 million rubles. In two years (early 1910) it increased, reaching 342.3 million rubles. At this time, the State Bank was one of the largest and most influential credit institutions in Europe. Between 1905 and 1914 its balance almost doubled. The source of funds for its operations was bond issues and treasury funds. Deposits and current accounts of individuals and institutions remained at the 1903 level and averaged 250 million rubles. During these years, the issuance of credit notes brought the bank 810.9 million rubles and the treasury fund 600 million rubles. The purchase of gold and foreign exchange from the State Bank took 7/8 of the issuance. The rest of the issuance and treasury funds were directed to lending to industry and commerce through commercial banks.

(16, p. 244) Despite the intensive development of industry, agriculture remained the dominant part of the Russian economy.
The most important asset in the country's trade and payment balances was still grain exports. Therefore, starting in the 1890s, the bank began to lend to the grain trade in the form of commodity loans. From 1910, the State Bank began to build elevators and grain warehouses within the framework of the state regulation of the grain campaign. The creation of a state elevator system was supposed to help reduce the loss of grain during transportation. At the beginning of 1917, the State Bank's elevator network consisted of 42 elevators with a total capacity of 26,000 thousand pounds, and 28 granaries were under construction.

With the participation of the State Bank, a system of small credit institutions was created in the country to provide credit to cooperatives, craftsmen and peasants. In 1904, the Bank established the Department of Small Loans, which was tasked with supervising the activities of such institutions and providing them with financial assistance when necessary.

Until the First World War, Russian financial policy placed great value on holding gold coins as the basis for foreign public credit. The gold plating of the ruble was always kept at a very high level. After the 1906 crisis year, elevator utilization did not fall below 93 percent, and in 1909-1911 it exceeded 100 percent. In the Russian conditions of the late 19th - early 20th centuries, provided the flow of foreign capital necessary for the industrial development of the country.

However, the crisis was overcome by the resolute attitude of the State Bank, the closure of the loan and the development of new lending strategies. Until the First World War, the country's financial stability was ensured by skillful management of the banking system and strategic decisions that contributed to Russia's economic development. (16, p. 276) "Azerbaijan is part of the Russian Empire during the global economic crisis"

At the beginning of the 20th century, Azerbaijan's oil industry reached its peak and became the world's leading country in terms of production volume. However, the global economic crisis of 1900-1903 hit the industry hard, causing a decline in drilling and oil production. Political events
such as the Russo–Japanese War and the popular uprisings of 1905–1907 exacerbated the crisis. Although Azerbaijan's oil industry was able to partially recover from the crisis, new challenges and threats, such as the all-Russian industrial boom, have remained relevant since 1909. The textile industry in Baku has flourished thanks to the G.3 factory of Caucasus Fibrous Materials. Joint Stock Company. Taghiyev had a settlement for workers, a school, a water treatment plant and other facilities. With a fixed capital of 4 million rubles and a repair shop employing more than 1,000 workers, the development of printing in Baku was stimulated by the first Russian revolution and the events of the following years. In the regions of Azerbaijan, the mining industry, cotton ginning and silk processing industry developed in Gedebay, including fish production. Tobacco factories were located in Nukha, Shamakhi and other regions; winemaking, distilling, light and food industries were also actively developed in various provinces. Craft production includes painting, metalworking, silver and gold crafts and many other types. In agriculture, the main attention was paid to grain crops, grain products were exported to other parts of Russia.

In the early 20th century, industrial development continued in Azerbaijan, covering various fields. During this period, sericulture, cotton farming and fishing increased significantly. Cocoon production increased rapidly, especially in the Aresh district, which became the main region for sericulture. The cotton harvest also increased significantly, reaching 1,150,370 pounds in 1913. Azerbaijan maintained active trade relations with Russia and beyond its borders, becoming the main cotton producer in Transcaucasia. Reforms in the land structure also began during this period. In 1900, the foundations of the land structure for the state peasants were approved in Azerbaijan and other governorates. These measures included the distribution of land to rural communities and the imposition of taxes. (21) However, difficulties arose in the implementation of these measures, and in 1903 regulations were passed that made the process of land distribution more difficult. Instead of simply allocating land as required by law, the proposals involved more complex procedures, which made it difficult to implement
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the reforms.
At the beginning of the 20th century, shipbuilding was actively developing in Azerbaijan, and the port of Baku was at the center of the region's economic relations with Russia and Iran. However, the construction of new railway lines was minimal, except for the single line between Ulukhanli and Tulfa, which was completed in 1908. (21) Changes in road infrastructure were also minimal. In 1901, a postal route was established in Baku province from Guba to Khachmas station of the Belajar-Darben railway and also to the Kurdemir-Akhsu highway. Many post offices and telegraph offices were opened to facilitate communication, but the existing telegraph and telephone networks were insufficient to meet growing needs.

Urban-type industrial and commercial centers such as Gadabey, Salyan, Aghdam, etc. developed, although they were served by a few small industrial enterprises. Due to the colonial nature of the economy and its focus on the production of raw materials and goods for the Russian industry, and the fact that Baku became the main industrial center of the oil industry and, as a result, mining development, economic development in different regions of Azerbaijan was uneven. To the rich copper deposits in Gadabey. The development of industrial zones was closely linked to the needs of Russian industry and determined the regional distribution of various production areas in various regions of Azerbaijan.

In the early 20th century, Azerbaijan experienced a process of concentration and centralization of capital that affected not only industry but also agriculture. Monopoly capital penetrated various sectors, including agriculture, mainly through joint-stock real estate banks focused on providing land loans.

Railway enterprises were also a special form of state monopoly, and communication facilities, such as the Baku-Batumi oil pipeline, were state-owned. The process of capital concentration also covered the provinces of Azerbaijan, where dozens of joint-stock companies operated in various sectors (21). At the same time, the nature of land ownership in both state and private villages changed. In May 1900, the law on the land structure of state peasants in Transcaucasia determined the relations between the state and the peasants. In the state village, the state remained the largest owner of
the land and peasants paid the land tax. In a private village, peasants paid feudal dues for the use of the landlords' land.

But the 1912 law stopped the feudal exploitation of the private village, abolished the peasants' rent obligations and turned them into landowners. In other words, after the adoption of this law, only the remnants of feudal relations appeared in the private village of Azerbaijan.

Conclusion
At the end of the 20th century economic crisis in Russia, we see that this period had a major impact on the future of the country. The economic collapse not only caused millions of people to suffer, but also served as a catalyst for social and political change. The Russo-Japanese War and the revolution of 1905-1907 worsened the situation and laid the cornerstones for future revolutions. Despite the difficulties of the period, the crisis also triggered necessary reforms and changes in Russia's economic and political systems. This period shows the importance of adapting to changing circumstances and trying to move forward even in the most difficult times.

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