

Economic life and tax system in the Azerbaijan Democratic Republic (Abstract)

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In this article, the main contents of socio-economic policy of the Azerbaijan Democratic Republic (ADR) have been investigated.

Researching the formation history of establishment, real, institutional and legal bases of liberal economic processes, leading to the national and secular values for a short time.

It is the first time in Azerbaijan, that discovered the property pluralism, national bank, national currency, state budget, national market, foreign economic relations, economic management, accompanied by the tax, formation and evolution history of initial sources that have referred to the press materials of that time.

The investigation assumes importance from the view point of learning the historical lessons, practices of establishment of liberal society in the country and economic valuing aspects of statehood thoughts of population.

Key words: *economy of Azerbaijan, the history of economic thought, tax policy.*

JEL Classification Codes: *B1, E62, H3, O23*

1. Introduction

The Azerbaijan Democratic Republic has an important place in a rich heritage of our people. The real possibilities have been implemented and partially achieved during Azerbaijan Democratic Republic, by the aim of realization of the national economic thoughts formed for the first time, throughout the centuries.

Properly relations, agrarian issues, financial and monetary policy, foreign trade, economic relations, economic management system and tax practice attract attention in national economic model of Azerbaijan Democratic Republic and should be studied.

Azerbaijan Democratic Republic established democratic management way completely oppose of totalitarian regime in the Muslim world and serious steps made to realize the idea of Azerbaijan by creating an independent Azerbaijan's economy. Founders of the idea of independence who were carrying out this idea were F.Kh.Khoyski, A.M.Topchubashov, M.A.Rasulzadeh and others. With the socio-economic vision of these outstanding representatives of the independence, a democratic society envisaged that the establishment of equality among citizens and political, as well as the harmful consequences of social injustice to be taken.

2. The main contours of the socio-economic policy of the Azerbaijan Democratic Republic

In the implementation of the idea of an independent Azerbaijan Democratic Republic, the economic independence was considered to be the main issue. It was accepted that “the roots of the idea of national independence and politics were based on the economic independence” [1, p. 53]. This was a conceptual issue, and was kept in the center of attention during the entire activity of the Azerbaijan Democratic Republic.

In the Azerbaijan Democratic Republic, the political equality reflected by representation of the different parties and fractions in parliament by complete equality, prevention of right of minority together with the majority and issue of complete independence for socio, economic and every political activity to Azerbaijan citizens. Ownership of economic platform of the Azerbaijan Democratic Republic was pluralism. The state property, private, personal, stock, municipal property and other proprietary forms were created for the development of equal opportunities. At that time, on the contrary to the position of a wide spread of bolshevism, Azerbaijan Democratic Republic and its leaders did not decline private property over factory, plant, land and other basic means of production. On the contrary, it considered that “elimination of the current status of such property will completely remove the personal initiative strength by force” [2, p. 41]. At the same time, the Azerbaijan Democratic Republic defined the scope of private property, going into extremes in this case displayed to be harmful. Non-limited property rights and a lack of attribution of ownership up to extremism considered harmful.

In the economic model of the Azerbaijan Democratic Republic, it was expected that, the existence of private property should be fully disaggregated. In particular, it is impossible to grinding mills, factories, and “here the status of an employee of the application of labor laws has been prepared in accordance with special form” [2, p. 42].

In accordance with the economic law implemented by the republic, “the under ground mines forming the state wealth and income source” also (*as well as*) the “rail way, electricity, water, telegraph and other institutions that serve as the general issues” were included to the state-owned and municipal property.

Agrarian program of the Azerbaijan Democratic Republic should be studied in terms of economic thought. The basis of the program reflects draft laws of agrarian reform in the “Musavat”, fraction and the view of the Ministry of Land. In spite of the certain differences of the above-mentioned law, the purpose was to land and having insufficient land with public land. In addition, the cancellation of private land ownership is not intended, to land the private property on norms of consumption have been implied, at the same time on the one hand it may be possible to provide the rural population by income and on the other hand remain unused private entrepreneurs lands.

In the draft law of the “Musavat” fraction the issue of lands without compensation and in exchange for the issuance of certain other laws have been reflected. The previous owners owned 75 desyatinas¹ in the draft law; the draft law of the land to the local conditions varies depending on the amount of storage defined.

Prevention of the inflation in the economic platform of the Azerbaijan Democratic Republic, regulation of wages in inflation, in general, the circulation of money, put in order the sale of raw materials in abroad, at the same time, customs policy, private entrepreneurs through state regulation of relations between tax rules, terms and conditions of economic cooperation with Russia and other neighboring Republics create its own independent currency in terms of economic ideas and learn from the experience is remarkable.

Within 23 months of existence, Republic has achieved a number of successes in the solution of the current economic and cultural problems. The oil industry has been taken out a serious situation, Baku-Batumi oil pipeline restored, Baku-Julfa railway was built, a bridge built over the river Kur, education and culture have been developed, preparation of highly qualified national human resources abroad expanded. Azerbaijan State Bank has been established, national banknotes and coins have been issued, Caspian Shipping Company have been developed, Baku University and many primary schools have been opened, etc.

As an attribute of an independent state the issue of the national monetary unit is the most important aspect of financial policy of the Azerbaijan Democratic Republic. From the beginning of 1918, a new paper money - “Baku bonds” was issued in Baku (*that time, “Nikolai ” money and Kerenski ” monetary units were used in circulation*). However, since the first time of the strengthening of the national monetary unit, the main task of the Government’s economic policy was to maintain purchasing power. As the national currency of the Azerbaijan Democratic Republic was released into circulation during inflation.

The government had to fight inflation during the existence of the Republic as well as inherited from the previous period. For this purpose, the following measures have been carried out:

- financial, tax, banking and credit system of the independent state were being established;
- in September 1919, the State Bank of the Azerbaijan Democratic Republic was opened;
- by the decision of the Ministry of Finance dated July 20, 1919, the free export of goods were intended to achieve;
- various ideas are being discussed at the Parliament of the Azerbaijan Democratic Republic on this issue at the meeting of November 24, 1919 and such kind of accepted idea as filling of the treasure was the most important fones;
- the responsibility of carry of the silver, gold, platinum by secret way is looked through and the responsibility increased by the replacement of the law dated November 15, 1919 to law dated October 20, 1919;
- in order to regulate the exchange of goods within the borders of the republic, the temporary customs tariffs were applied to the efforts of a numbers of jewelry brought to Azerbaijan from foreign countries in August 1919;
- By the aim of regulation of the internal market, the law on the apply of the new temporary customs regulations was adopted for goods sent abroad (*February 9, 1920*);
- flexible tax policy was injected.
- measures on the reduction of public expenditure were planned.
- list of commodities imported from abroad country (*the name of more than 200 products were included in the list*) was defined;
- Baku bonds were proposed to foreign investors and those who wishes to invest in Azerbaijan.

Participating by the declaration of the new cab at the meeting of Parliament dated December 22, 1919, N.B. Yusufbeyli showed the reasons of impairment of the money once again. In his opinion, the lack of exports, the situation in the oil industry, the national monetary unit of exchange to be more impaired in connection with Russian money were the most important reasons of impairment of the national currency [3 p 812, 813]. The new consider normalize the economy by commencing of the normalization of the money. It should be noted that, the government of the Azerbaijan Democratic Republic needed to allow extra money on several occasions (*May 5, 1919, December 1, 1919*) during inflation. Nevertheless, it was a big reason for the discussion and disagreement, even if the target character was taken into account. This event was to serve in the position of the oil industry out of crisis.

3. The establishment of foreign economic relations of the Azerbaijan Democratic Republic

¹ A desyatina was expressed 1.09 hectares of the Russian unit of measurement.

The establishment of new rules and regulations of international economic relations from political and economic independence is one of the main challenges for the people. The solution of the problem is difficult because of its dependence both on internal and external factors and requiring a certain time. The Azerbaijan Democratic Republic also faced such difficulties. In the Declaration of Independence of the Azerbaijan Democratic Republic, establishment of the economic relations with foreign countries, in particular, expansion of the economic relations with neighboring countries were implied. It is not accident that the leaders of the Azerbaijan Democratic Republic, not considered the problem of Azerbaijan as the problem of one nation and people. In the leading party "Musavat", external factors in the development and independence of Azerbaijan were of great importance.

Establishment of economic relations led to a serious issue as the coordination of the national and economic interest. It is known from the history of economic theories, the ratio of national and economic interests, and the advantage of one from others were assessed differently by different economic schools.

It is not difficult to mention the imply of the Islamic factor in the building of a new society. Secularization and Muslim formed unity in this system. In particular, giving preference to the principles of full equality in the property and tax cases, "non-oppose of the principal view of the democracy by Islam" shall be approved [4]. The establishment of it by these criteria was less important for the recognition of Azerbaijan Democratic Republic by the 23 states within a short time.

To facilitate economic cooperation with foreign countries, the elimination of barriers in this area, on the other hand, carry out this cooperation on the basis of the world norms were implied in the economic platform of the Azerbaijan Democratic Republic. In the formulation of the problem in such case, caused the appear of different views in the pages of the press. In the articles of "Bakinskaya jizn" (*Baku life*) newspaper put forward the proposal to remove all customs restrictions in Caucasus. In the articles published in the newspaper "Azerbaijan" stated that, nevertheless the agreement on the military defense union amongst Azerbaijan and Georgia in July 1919, customs limits should be available in mutual economic relations between two republics and the government has to regulate the import and export of goods [5]. In particular, uncontrolled flow of the grain products to Iran, Georgia, Armenia and Dagestan was considered harmful from the point of view of satisfaction of the national economic interests, and needs of the population [6]. By the aim of save the country from 7 million pounds grain production capacity, increase of its wheat import possibility was considered important not only from the point of view of repayment of its needs but also achieve a significant export potential [7].

Draft laws adopted in August 1919 by the financial-budget commission of the parliament of Azerbaijan Democratic Republic on the increase of customs fee to Alcoholic beverages fetched imported abroad and a fish product serve as the protection of the internal market and help to prevent inflation [8].

The role of the foreign economic-trade activity in the recovery of the economy and regulation of the money turnover widely discussed in the meeting of the parliament of the Azerbaijan Democratic Republic dated November 24, 1919. Different, even oppose thoughts mentioned at the meeting with respect to the problem. Ahmad bey Pepinov (*muslim socialist bloc*) considered that, in order to increase the money rate, some commodities, especially grain, cotton, wool and others trade should be monopolized. According to another opinion, they considered that it was necessary to expand free trade. M.A.Rasulzadeh criticize these ideas and stated that such kind of proposals could damage to the country. By passing the full free trade, needs on the necessary required goods arose, but we have no enough guidelines and rules for monopolization. Y. Ahmadov (*non-muslim*) considered that, nevertheless Azerbaijani government having the great resources form the goods exchanges correctly (*wool, cotton, oil, etc.*) money circulation regulated without any difficulties [9].

Azerbaijan Democratic Republic was unequivocal towards attitudes to the economic relations formed prior to the existence of the republic in the economic platform. It was expedient not to stop these relations, but enlarge as the economic relations of the independent state. New steps made by the aim of development of the attitudes with foreign capital representatives existed in Azerbaijan on new bases. For example, by the decision of the government of Azerbaijan on October 18, 1919, the restore of ended agreement on the lease of one part of the Boyuk-Shor lake to "the Nobel brothers' community" was provided and new modification to terms of these agreement was grounded [10]. In general, views of the representatives both parliament and foreign capital on the problem of foreign capital and concession coincide each other. According to the French capitalists, investment of the foreign capital, as well as French capital to Azerbaijan, will ensure the live of the independent state and development of their productive forces. As regards to the application of foreign capital to the republic, the following forms were proposed:

- 1) By the way of financing of the certain industry fields as in England, Germany, France, the Netherlands and the United States.

- 2) In the form of Concession.

French equity holders prefer the second way. They consider that, transport, production of the forest resources, port equipment manufacture, electrification of oil regions and refrigerator could be concession objects [11]. Also, in order to regulate the exchange of goods within the borders of the republic the special temporary customs tariffs are applied to some luxury imported to Azerbaijan abroad from in August

At the meeting of parliament of Azerbaijan Democratic Republic on December 22, 1919, the head of the

government Nesibbey Yusufbeyli announced the new cabinet declaration. The declaration attracts the attention from economic thought. The necessity of establishment of the powerful economy as the term of free and independent existence of Azerbaijan is mentioned herein. Policy of the Government's foreign trade is expected to change radically. Nevertheless the increase of import and reduce of export as possible, money falls, now the necessity of implementation of measures in the direction of the stimulating of export is mentioned [13].

Note that, Azerbaijan Democratic Republic in its foreign economic activity always intended to realize Azerbaijan government. One of their own duties was to provide it with necessary things and to find additional sources by the aim of increase revenues for the treasury. One of the customs revenue sources was added. Permitting the sale of this or any other product to foreign countries or to the extent necessary for the population and product, at the same time, the cases of the revenue to the government carefully considered. By the law draft of the government of Azerbaijan, dated February 20, 1919, the export of cognac, grapes and mulberries alcohol to the abroad was permitted [14]. Note that, the sale of alcohol to the abroad prohibited before the activities of the Azerbaijan Democratic Republic. It negatively affects to some of the households and the government's finances. The Government believes that not only the state treasury and people dealing with the vodka, but also all people show interest in selling alcohol. They sell their agricultural products, plants of the grape and wine. Tutu earns, up to now without any cost of waste (*for example, rotten fruit hulls*) and the case becomes a beneficial use. In preparing this draft law, the government has also stipulated that the alcohol is necessary for technical and medical anal holes. Removal of permitted sale of alcohol and 40-45 degrees in 85-degree cognac vineyards and mulberry alcohol does not fit for this purpose. Therefore, its sales abroad will have no any harm to people.

Parliament of the Republic of Azerbaijan on export of raw materials beyond the law of the foreign economic activity in terms of learning is very valuable [15]. According to this law, cotton, wool, silk, frizon (*the production of silk waste*), as a cocoon in the free export of raw materials allowed provided that 25 percent of the value of exported raw materials shall be free of charge at the expense of the treasury. The formulation of the problem gave possibility to obtain the necessary products by the commodity exchange rule and foreign exchange. This is compared to the exports of raw materials, such as a measure of the emergence of many disputes was discovered as a result of the influence of differences in opinion. Trade, Industry and the Ministry of Food put forward the sell of the exchange of goods by its special agents in foreign market. However, these agents have sufficient knowledge of law and the darkness of these rules for the government made the government give up these measures. In this case, there was also consideration of obtain foreign currency by the aim of permitting the sale of such goods, such as the application of the principle of free trade. Due to the existence of serious difficulties in their application, these considerations were not carried out. For example, transition to the free trade was insufficient, as commodity exchange regulated in all neighboring republic prevailed. Under such conditions, only the apply of the free trade would result the export of everything from the republic and imports will decrease to minimum. The neighboring republics of Azerbaijan would be used foreign trade exchange of goods for their operations. As a result, the government of Azerbaijan export raw materials by the allow rule to transfer certain customs to the treasury. Order for the export of raw materials by the aim of developing this kind of economic thought in the Azerbaijan Democratic Republic can be considered a significant achievement.

Azerbaijan Democratic Republic in its foreign economic policy does not restrict its activities to the development of the law or will. Important steps are made towards the implementation of these laws. For example, the exchange of goods with foreign countries in order to straighten out the financial condition of the stock of 20 million manat was established and by the government's decision dated February 12, 1919, release of loan in the amount of 10 million manats for the initial needs have been decided [16]. At the same time, "commodity exchange committee with foreign states and close areas" under Azerbaijan Democratic Republic of Commerce, Industry and the Ministry of Food have been operating. As it seen in the special regulation approved by the Committee, one of the most important tasks of Commodity Exchange Committee was the form of export and sell of oil to abroad forming the bases of the economic and financial cases [17]. The wide discussion at the plenary session of the Committee dated March 15, 1919 resulted with the fact that, all commodities are divided into two major groups:

1) exported abroad, in general, is not allowed to export goods or unauthorized goods outside of the committee;

2) allowed goods to be exported with the permission of the Committee. Immediately after this meeting, Trade, Industry and export regulations shall be approved by the Ministry of Food [18].

In general, regulations of goods of grain, flour, cooked bread, krupa, forage, horses, large/small cattle, and all kinds of meat, sugar, gold and silver bullion and cash form, iron, cold arms etc that the export were not allowed was also included.

Allowed rice, pasta, all kinds of seeds and vegetables, tea, coffee, vegetable oil, wine, salt, soap, wood materials, oil and oil products, gold and silver products, machinery and tools that the export are also included. Regulations state, that the sale of all other goods not belonging to these two groups allowed. Summing up the discussions at the meetings of the ministry, the government approves the rule on the export of goods [19].

As all peoples of Transcaucasia combined in common interests in the field of the economy, there was no obstacle on expand the relations between independent states. Azerbaijan Democratic Republic not creating its

excellent economic base, provide Dagestan with 50 million manats aid by participating general humanism principles. The neighborhood was considered as an important economic factor in the Azerbaijan Democratic Republic. The agreement amongst Azerbaijan and Georgia in the term of foreign economic relation of the democratic republic, attracts the attention as legal and economic documents [20].

According to these one year term agreement dated December 26, 1918, the purchase and sale of the needed products without any customs duties within the framework of sale is permitted. Georgia's Railway meets the needs of the population and oil, black oil, kerosene, oil export duty-free limit is determined. According to the agreement, 1 million pounds of kerosene for the release of the Georgian population, the total sales of oil and oil products should not exceed the 20 million pounds. In particular, the value of oil sold in 1/10 volume of the part of Georgia is expected to sell some products. These include coal, wood and other materials. Under the contract, products from other republics are not allowed to sell to other republics.

Azerbaijan Democratic Republic giving great importance to economic cooperation with Russia. Such a point that deserves special attention in the Democratic Republic of Azerbaijan that he had negative attitude from the deprived of the Russian market. Oil, cotton and other export products intended for the Russian market was of great importance. M.E. Rasulzadeh required "the establishment of direct relations with the Bolshevik government". The government organized by N.Yusufbeyli greatly describes these problems in its economic program. However, the opposite party has not recognized Azerbaijan as an independent state and the Red Army advancing in the direction of Azerbaijan, parliament and government of Azerbaijan Democratic Republic in respect of this issue led to disputes between members. The Minister of Internal Affairs M.N. Hachinski said that taking into account the current situation, introducing greater economic independence for the Soviet Russia, the material should be provided. In contrast to the strong regime, the Minister of Foreign Affairs F.Kh. Khoyski was acceptable to respond with military force in the case of aggression by Russia.

In spite of the existence of different opinions, on March 30, 1920, Soviet Russia and Azerbaijan held a joint trade commission meeting. However, in fact that none of the positions was carried out in relation with Russia. Nevertheless, Bolsheviks promised a number of terms to Azerbaijan Democratic Republic they did not follow them.

The formation of the Azerbaijan Democratic Republic, as an independent state in the relations of the republic has encouraged other countries to change their position. For example, Great Britain recognized the independence of Azerbaijan, but was required to remove its troops from the republic according to terms and conditions. Representatives of the state and government of Azerbaijan to the full depth of this attitude can determine their position with the understanding.

Thoughts on Azerbaijan's foreign economic and trade strategy in terms of the memorandum submitted to the Paris peace conference of the Supreme Council is of great importance. This document as a result of the violation of economic relations arising from the economic-financial crisis is characterized by facts. To remove a certain amount of the debt crisis, and debts were undertaken payment of the expense of real and that the oil, cotton, wool, silk of republic [21, p. 31].

The oil industry was regarded as a priority field of the economy during the period of Azerbaijan Democratic Republic. In this case, the transmitter was the world's most powerful move. Therefore, the parliament and the government periodically review the status of oil production and refining and investigate the world oil market.

The policy of Azerbaijan Democratic Republic was not carried out completely in the sphere of foreign economic activity because of small existence not being carried out completely. However, this policy has already restored the national independence of the republic, nowadays is of great practical importance.

4. Organization of the Azerbaijan Democratic Republic tax

At the beginning of the twentieth century, science neoclassic was prevailed in the world of economics. Monopolies taking part in the place of the active interference required the active interference of the state to the economy. This was possible with the perfect formulation of the state budget. To form the state budget and the political independence of the newly established republic was of great importance in terms of preservation. The budget of Azerbaijan Democratic Republic correctly commenced from the tax. The organization of the Ministry of Finance was empowered to tax. In short period not only the center but also the local networks of the tax authorities formed. One of the first actions was the approval of the Republic of excise offices. Baku, Ganja, Baku provinces were included herein [22]. By creating the local structural bodies, the function of emergency chiefs to collect taxes was taken out of them. As the central controller, Tax Inspection under the Ministry of Finance, as well as the body was established. In the article of the new Minister of Finance of Azerbaijan Democratic Republic I.N. Protasov in the newspaper "Azerbaijan", 34- (18); dated December 1918, analyzed the financial situation of the republic. It becomes clear that the case of oil industry being the main source of income of the treasury is not satisfactory. Export to abroad through Batumi, kerosene is in insignificant quantity. Azerbaijan cheap kerosene cannot compete with America trestles. In the past 400 million pounds of oil and oil products sold in the Russian market is closed for us. Consumption of oil in the Caucasus is only 12 million pounds. There would not be any spoke on the treasury unfilled through the oil industry. On the contrary, the treasury (*state*) in the oil industry was the state of temporary financial assistance. As of December 1918, the Ministry of Finance in order to wage workers and even oil

industries water gave 50 million rubles. There was a need for the increase of Sudan and delivering to 200 million rubles till pending the opening of navigation in Russia [23]. The main way to increase tax rates could not contain the situation. The Ministry of Finance and the government fighting in the country saw the way to solve the problem. By animating the bank activity and increase of the confidence to banks, the state put forward the duties as to win both financial truth of allies and attract 100 mln. roubles hidden in pillow to the economy and trade.

The ordinance dated October 1, 1918 of the oil industry being the most important area of Azerbaijan's economy and being the taxation object is privatized. [24]. However, it is considered the beginning of the case. The war destroyed the country's exports of the oil industry, the weight of food-went on commodity products. In this case, the great disputes both in parliament and periodic press was around the issue of oil industry to the excise and monopoly. The preferred way by the aim of issue more profit to the treasure from Baku oil was disputable. After extensive discussion, preference to the liberal economy and transfer of certain amounts to the budget by the aim of the free sale of the oil industry was considered appropriate. Such kind of proposals put forward in several publication of "Caspi" newspaper, that the creation of the new industrial unions under the participation of the state as the largest share holders is expedient than monopolize of the oil sale. In this regard, the local oil industrialists with their money and the state should participate in the land. According to the state land or land rent was 33% to 38%. In accordance with the view of the authors of the article, one of the advantages of monopoly of the oil industry by the way of excise revenues in favor of the state treasury is the state in connection with the oil production liberated from the preserve of legislative service apparatus [25].

In the period of institutional point of view, Azerbaijan Democratic Republic always improves the work of government tax; it paid special attention to problems. By the decision of the parliament dated March 17, 1919, the right of collection of the income tax delivered to province and emergency department and the duty of tax inspector established under the Ministry of Finance. On the meeting of the Parliament on December 22, 1919 the law on the establishment of Balakhani-Sabunchu districts tax policy was considered [23, p. 807]. By the decision dated May 15, 1919, the rates of the direct tax approved. For example, taxes on capital of 30 coins for the main capital are defined for each currency [23, p. 408].

On July 23rd, 1919, the date that is not involved in the residential part of the minimum state tax was increased up to 1000 roubles from 5000 roubles. At that time, by the parliament, land tax, art tax, property tax, as well as the creation of the state budget increased the excise on oil and agriculture-based security, but it would not be admissible to say that it gave the positive result. However, these measures, we can say that, the establishment of a liberal economy during that time, the priority of economic theories in terms of requirements has been properly defined.

The experience of budget creation of an independent state begun from the period of Azerbaijan Democratic Republic. At that time, the Azerbaijan authorities ensured that these activities of state economic regulation increasingly important to strengthen the state's budget and was able to create. In this regard, the sources of budget revenues, taxes, excises and others have defined incur and the budget expenditures classified.

In the case of sort of the important steps in the economic field of Azerbaijan Democratic Republic the organization of the budget and the establishment of the national currency will be displayed non-absolutely. State budget revenues could be for the security of oil and oil products. As the oil form the origin of the economy of the country. The government believes that the example of the Ministry of Finance, in favor of the state excise tax on oil and petroleum products is to create a financial basis by the aim of putting the state budget. In this regard, the charter was adopted on excise duties; the number of draft laws were prepared and submitted to parliament for discussion. The full budget prepared and approved before the formation of the state revenue estimate for the different sources were compiled [26]. This is partly the difference between the estimate and the budget, but it becomes clear that the direct and indirect taxes formed the basis of income [27].

For the first time, prepare of the tax schedule of the independent republic met difficulties. First of all, declaration of independence was approved in a difficult situation, as a result of external and internal wars production and trade was hesitated, prices increased and the wages could not pace with these prices. On the other hand it was the key to enter any information in the sales market, which allows local governments to implement measures and involvement of the state budget revenues and to ensure that it is possible to say that the management authorities was in reducing degree. For these reasons, it was possible to build republic budget on a solid reliable foundation.

Nevertheless, the method of tax formation on different sources was impossible. Therefore, the certain amendments to the draft budget revenues came later. The excise on oil products, are included in the customs of the iron has been considered expedient way of raising revenues [28]. Despite all these difficulties, the serious efforts of the government of Azerbaijan Democratic Republic to form the state budget for 1919 was possible. The tax part of the state budget divided into 6 parts by consisting of direct and indirect taxes, customs fees, the state monopoly, sources maintenance fee (*mining tax*). The direct taxes are: property tax, property tax, income tax, tax, military service, notary taxes.

It was included in the indirect taxes: kerosene, gasoline, lubricating oils, kerosene, oil from the other products, as well as tobacco, cigarette papers, sugar, tea from the tax. These taxes for the government monopoly:

the mining revenue, postal-telegraph revenue, forests, fishery, and income from cotton-growing farms. It taxes income at the expense of the state budget for 1919 is designed to deliver 665 million, and it was not less amount [29, p. 181]. The structure of the state budget was: 17.3% direct taxes, indirect taxes 18%, 15% of the customs fee, 1.1% of the state monopoly in the oil fields, forests, cotton fields, fishery 34.3% of the maintenance fee, the state of the railway net income of 7.5%. Despite the decline in the oil production in the republic of the economy of oil products and oil fields from the operational level of indirect taxes as of budget revenues was 52.3%.

It should be noted that the first budget of a young independent state would not be considered because of both internal and external reasons. The grave situation created by the state in the life of the country of war and revolution in Russia, as well as the weakness of the country's economy, creating a negative impact on budget banknotes were impaired. In turn, it was difficult to get rid of hard situation and strengthen the economy without formulating othe budget. The measures in the direction of the pe riod of Azerbaijan Democratic Republic can be considered unsuccessful. In accor dance with the law dated December 11, 1919 adopted by the Parliament of Azerbaijan Republic "on terms of exports of raw materials abroad", it was intended to transfer 25% of exported commodity to the treasury [30]. In the law dated June 23, 1919 on "increase of the residential minimum not involved to the state income tax" certified by the parliament, the improvement of the tax work in the Azerbaijan Democratic Republic displayed. According to this law, the minimum income sources increased from 1000 to 5000 by taking into account the inflation and other cases [31]. In another draft law, it was intended to increase the inscome tax to 25% for people that the annual income of more than 60 thousand manats [32]. On April 5, 1920 Ministry of Finance addressed the letter to the Parliament of the Republic of Azerbaijan, which increase the minimum living income for 1920 year, and asked for the approval of the draft law on changes in tax rates. In connection with this law draft, it was explained that, the rising of the cost of life makes necessary the increase of the residential minimum once more in 1920 and modify the previous possibilities that income taxes were not deducted [33].

Thus, all the traditional rules of the regulation of life level by the increase of price and taxes of the government have been used. To regulate the principles of social jus tice on the basis of the income tax of population carried a special attention. Flexible tax policy certain strata of the population, on the one hand sufficient to minimize the negative impact caused to existence, on the other hand and served to strengthen the treasury of the republic [34].

The tax policy of the Parliament of the Azerbaijan Democratic Republic dated on October 2, 1919, played an important role in the law [35]. The law provides for cancellation of the military tax. Since April 19, 1915 tax applied for people released from the obligations of military service. The Azerbaijan Democratic Republic de cided to terminate its completely by implying the establishment of condition for enough conduct of Muslim population to its religious faith, at the same time less of the quantity of these taxes and not having an important role on the state income. This law characterizes the government's financial policy in terms of democratic is valuable.

The difficult financial situation of the Azerbaijan Democratic Republic was inevitable from time to time to carry out emergency measures. The improvement of the financial position of the republic was impossible not only by the way of raising direct taxes, but also scientific point of view. Therefore, by the requirements of the state treasury to pay for measure that is more effective in 1920, it was decided to apply for a one-time extraordinary tax. In this regard, the letter of the Ministry of Finance dated March 10, 1920 was addressed to the Cabinet of Ministers and the "extraordinary one-time for the 1920 tax bill on the state" has been submitted [36]. This bill approved by the Government of Azerbaijan and delivered to the parliament for approval. Emergency tax, property, capital, income and wage setting considered. The law stated, that the people whose property, capital and capitalized incomeless than 300 thousand were exempted from tax. The Ministry of Finance stated that the total amount of lump-sum tax was considered to be 1 billion manats [37]. It was considered that this tax will also allow people to take back a large amount of money on paper and in this way prevent the emission of paper money, and the national cur rency exchange rate increases. Azerbaijan Democratic Republic has to increase the productivity of the soil advanced increase in land tax policy. The report prepared by the Ministry of Finance stated that, in separate accidents in 1918, with the norms of the total amount of income of land and 36-72 times the level of taxable yield is ex ceeded. Therefore, it is possible not only for the land from the state to increase their incomes, even it is necessary.

There are two way to hold it to the Ministry of Finance carried out: by applying the new fees and taxes, increase existing tax rates. It requires re-registration of land plots during the initial way and it prefer the second way because of it require a certain time. In other words, there is the possibility of improvement of land tax to 10 times [38].

During the research of the financial and tax policy of Democratic Republic of Azerbaijan within 23 months, it is known that a condition of this policy can be di vided into 2 parts:

1. Financial policy for the current period. In this case, the Azerbaijan Democratic Republic is trying to use its existing financial resources fully and correctly.

2. Implemented strategic finance policy after being defining its ownership of the Republic (*all opportunities*). In such case, it was preferred temporarily decrease of these taxes by the aim not increase the taxes

but the increase the payment ability of population. Now, in 1920, the state's tax policy was the character of these signs: Deliver of main place to the direct taxes in the state estimate, insufficient of the increase of the land taxes, the rich on the basis of the income tax reduction, a number of industrial enterprises of the mining tax, and cash flows for the number of employees of the disputes in the rules for taxation of capital income. The tax, customs, excise work by the proper management of the Ministry of Finance at the office of the ministry to ensure that established separate division of the customs excised [39].

Together with the provide of the tax legislation and tax building, they fully focus attention on correct and complete implementation of it. Upon the recommendation of the Ministry of Labor's Advisory Council, the parliament adopted the decision dated March 19, 1919 on the implementation of the special council on workers under the Ministry [40]. Azerbaijan Democratic Republic was built on the basis of national economic values and secular principles. Starting times for the first occurrence of the republic was to retain the progressive income tax benefits. In this case, presented by Prime Minister Fatali Khan Khoyski and considered at the meeting of parliament on December 26, 1918, the government was reflected in the program [3, p. 85]. Tax in the tax rates repeatedly discussed at the meetings of the Parliament was the main focus. The research reports of the Parliamentary sessions of the stenographer is known that the high tax rates at these meetings, as well as scientific analysis of repeated events that may occur in cases of low-issued, tax rates Prices (*inflation*), quality of life, stratification showed the interaction between social problems.

Though it was implied to decrease the tax degrees and preference of the advanced income tax on the basis of the financial policy during the term of the Prime ministry of F.Kh.Khoyski, during the Prime Ministry N.B.Yusifbeyli, it was implied to increase the direct taxes and decrease of indirect taxes.

To increase the state budget, more reliable, and holding the budget for 1920 in order to form a parliament for a change in excise on oil products used in the reviews and approves of the draft law. As a result, the budget included an additional 130 mln. roubles will be provided [3, p. 869-870]. At the meeting of the parliament dated December 15, 1919, the draft law on the increase of the direct income tax presented by the Ministry of Finance was considered. However, approval of this law is deferred. It is considered that by the aim of approval of such a law must be submitted to parliament 2 draft laws to the Ministry of Finance. These are those who are engaged in commercial and industrial enterprises and commercial and private entities, the draft law on real income is taxed, and the other on increasing the minimum residential bill will not be taxed [3, p. 804]. Of course, there is logic to occupy such a position, and it was taken into account.

The taxes of income distribution and in this way through the course of justice in society are more economic and legal event. In this case, the complete harmony of interests to ensure that the interests and humanize economic activity may seem naive. Religious and moral values of the Azerbaijani people providing assistance for charitable purposes, and this was always an expression of humanism in society.

These principles have always been historically protected. Even before the government of Azerbaijan Democratic Republic of the Caucasian Muslims Congress in 1917 (*15-20 April 1917 in Baku*), the opening of university education in Azerbaijani language was the focus of school finance. In this regard, the National Fund was established. H.Z.Taghiyev allocating 50 thousand roubles to these fund established on account of voluntary contributions met especially [41, p. 8]. The Republican period, the expansion of humanitarian activities and at the state level and the implementation of this great messenat specially stressed on his letter addressed in June 29, 1919, to the Chairman of the Council of Ministers of the Azerbaijan Democratic Republic H. Yusufbeyli. He challenged the government to provide a wide range of personal initiative, identity and respect for property rights improvement of financial policy was recommended [42, p. 114].

Nevertheless, the economic-political and tax work of Azerbaijan Democratic Republic coincides with the duties of creation of direct, democratic economy because of its parameters, it is necessary to display that there exit faults and a number of remains which have not been eliminated. For example, collect taxes, especially in the provinces "shut up, but let", "whip and baton" was found in the principles. Omar F.Nemanzadeh a well-known educator in 1919 wrote: "everyone thought and reverie are private ownership. The thinking of Parliament and government is that benefit of the treasury is a pretext and empty word. Under generality mask is feature. Every body is covered of this trouble" [43].

However, the history is a lesson. With all events, it (*both positive and negative*) is the school of experience. This school is very important benefit.

The formation of tax works in Azerbaijan Democratic Republic not only increased the country's financial resources. One of its important missions was the regulation of strained attitudes amongst labor and capital. During the Prime ministry of N.B.Yusifbeyli, A.Pepinov who was the Ministry of Labor repeatedly stated the regulation of the mutual relations amongst labor and capital by the state.

N.B.Memmedzadeh showed the importance of attention to the resolution of conflicts between peasants and noblemen. All this legislation is the creation and implementation of socio-economic demands. Such a law was developed during the period of the Azerbaijan Democratic Republic. The Parliament of Azerbaijan Democratic Republic in the period of its existence had 145 sessions and 270 draft laws were discussed. 230 laws were adopted. However, the law was related to the economic and financial issues [44].

5. Conclusion

The most important economic attributes of the independent state of Azerbaijan Democratic Republic (*the National Bank, the national currency, the national market, the state budget, foreign economic relations etc*) formed, its first significant steps towards the implementation of socio-economic policy. Tax and income relations formed by the aim of formation of the free ownership institute during Democratic Republic of Azerbaijan. Country Tax ensuring the financial stability of the Azerbaijan Democratic Republic was the center of attention. Tax authorities have been created during short period, by applying different types of direct and indirect taxes, it was possible to form an independent state budget. During the period of Azerbaijan Democratic Republic, the most important tax was income tax. By the aim of regulation of mutual relation and dependence amongst inflation, unemployment, economic growth being the main macro-economic problems, the important steps having practical importance made both in real sectors of the economy and in legislative rule. The rules of taxation, tax types, determination of tax rates, regulation of money circulation, the organization of exchange business, the establishment of the Bank's work to create favorable conditions for national business goals were expressed. Azerbaijan Democratic Republic referred to the formula as "a strong business-powerful state".

The principle of the inviolability of private property taken during the period of Azerbaijan Democratic Republic in addition to the supporters of a free economy, there were also those who prefer the idea of state regulation of the economy. At the same time the advantages of the monopoly of the state liberal economics; socialism has been synthesized by the regulation, in fact, forces of the idea of a mixed economy, which provided were not less. It should be noted that regardless of ideologies which give preference they are of special interest and deserves special attention in terms of economic thought. In the way of economic development of the Azerbaijan Democratic Republic etatism, conservatism, social-liberal ideas of the old ideas should be considered no longer practiced. Because of the Azerbaijan Democratic Republic, Muslim and modern based on the synthesis forming a perfect ideology to create a unique economic model left in the field of heritage. This historical experience should be studied thoroughly and comprehensively.

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