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## CONTENTS:

NUMBER OF BOSNIAKS FROM SANDZAK IN TURKEY <b>Sasa MRDULJAS</b> .....	167
THE CREATION OF THE MONTENEGRIN MONETARY SYSTEM <b>Jovan MUHADINOVIC</b> .....	189
THE PRESSURE OF THE AUSTRO-HUNGARIAN EMPIRE ON MONTENEGRO TO RENOUNCE ITS NATIONAL POLICY IN HERZEGOVINA <b>Nada TOMOVIC</b> .....	203
MONTENEGRO IN THE FIRST WORLD WAR (1914-1918) <b>Nenad PEROSEVIC</b> .....	213
<b>REVIEWS:</b> .....	225
DEBATE: DIGITAL TECHNOLOGIES AND HUMANITIES <b>Ivan TEPAVCEVIC</b> .....	227
SCIENTIFIC CONFERENCE: FROM AB REVOLUTION TO NATO <b>Amel DURUTLIC</b> .....	233
LECTURE: 30 YEARS SINCE THE FALL OF THE BERLIN WALL <b>Artur DMOCHOWSKI</b> .....	235
ANATOMY OF ONE TRIAL, BOOK REVIEW: NEVENKA TROMP - SMRT U HAGU <b>Adnan PREKIC</b> .....	239
KING PETAR, BOOK REVIEW: ČEDOMIR ANTIĆ - KRALJ PETAR PRVI <b>Milan SCEKIC</b> .....	243
RARE SCIENTIFIC AND RESEARCH SUCCESS, BOOK REVIEW: RADOJICA PAVIČEVIĆ - WERK <b>Slobodan CUKIC</b> .....	253
MEMOIR OF MONTENEGRIN PRINCESS, BOOK REVIEW: MILICA JUTA PETROVIĆ NJEGOŠ – MEMOARI JEDNE NJEMAČKE PRINCEZE <b>Nenad PEROSEVIC</b> .....	257
GUIDE TO UNDERSTANDING CRIME, BOOK REVIEW: MAX BERGHOLZ, NASILJE KAO GENERATIVNA SILA <b>Adnan PREKIC</b> .....	259
<b>INSTRUCTIONS FOR AUTHORS</b> .....	265

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## **SADRŽAJ:**

BROJ SANDŽAČKIH BOŠNJAKA U TURSKOJ <b>Saša MRDULJAŠ</b> .....	167
FORMIRANJE CRNOGORSKOG MONETARNOG SISTEMA <b>Jovan MUHADINović</b> .....	189
PRITISCI AUSTROUGARSKE DA CRNA GORA ODUSTANE OD SVOJE NACIONALNE POLITIKE U HERCEGOVINI <b>Nada TOMOVIĆ</b> .....	203
CRNA GORA U PRVOM SVJETSKOM RATU (1914-1918) <b>Nenad PEROŠEVIĆ</b> .....	213
<b>PRIKAZI:</b> .....	225
DEBATA: DIGITALNE TEHNOLOGIJE I HUMANISTIČKE NAUKE <b>Ivan TEPAVČEVIĆ</b> .....	227
NAUČNA KONFERENCIJA: OD AB REVOLUCIJE DO NATO-a <b>Amel DURUTLIĆ</b> .....	233
PREDAVANJE: TRIDESET GODINA OD PADA BERLINSKOG ZIDA <b>Artur DMOCHOWSKI</b> .....	235
ANATOMIJA JEDNOG SUDSKOG PROCESA, PRIKAZ KNJIGE: NEVENKA TROMP - SMRT U HAGU <b>Adnan PREKIĆ</b> .....	239
KRALJ PETAR, PRIKAZ KNJIGE: ČEDOMIR ANTIĆ - KRALJ PETAR PRVI <b>Milan SČEKIĆ</b> .....	243
RIJEDAK NAUČNI I ISTRAŽIVAČKI PODVIG, PRIKAZ KNJIGE: RADOJICA PAVIĆEVIĆ - WERK <b>Slobodan ČUKIĆ</b> .....	253
MEMOARI CRNOGORSKE PRINCEZE, PRIKAZ KNJIGE: MILICA JUTA PETROVIĆ NJEGOŠ – MEMOARI JEDNE NJEMAČKE PRINCEZE <b>Nenad PEROŠEVIĆ</b> .....	257
VODIČ ZA RAZUMIJEVANJE ZLOČINA, PRIKAZ KNJIGE: MAX BERGHOLZ, NASILJE KAO GENERATIVNA SILA <b>Adnan PREKIĆ</b> .....	259
<b>UPUTSTVA ZA AUTORE</b> .....	267

**Original scientific article**

THE CREATION OF THE MONTENEGRIN MONETARY SYSTEM

– Silver Perper coins minted in 1909 –

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**ABSTRACT:**

The article explains the process of creation of the Montenegrin monetary system through the introduction of the first Montenegrin monetary coin- silver Perper. The reason why Montenegro decided to introduce its own monetary system was in order to free itself from the influence of neighbouring countries whose money circulated in Montenegro at the beginning of the 20th century. The authentic archival sources from that period were used in the research, located in the State Archives of Montenegro, in the Fund of the Ministry of Finance of the Principality of Montenegro, for the period 1908 - 1909, as well as the relevant literature.

**KEY WORDS:**

Monetary system, Montenegro, Perper, finance, annexation

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**SAŽETAK:**

U članku se objašnjava proces stvaranja crnogorskog monetarnog sistema, kroz uvođenje prve crnogorske novčane monete-srebrnog perpera. Objašnjavaju se razlozi zbog kojih se Crna Gora odlučila na uvođenje sopstvenog monetarnog sistema, kako bi se oslobodila uticaja susjednih država čiji je novac početkom 20. vijeka cirkulisao u Crnoj Gori. U istraživanju su korišteni autentični arhivski izvori iz tog perioda, koji se nalaze u Državnom arhivu Crne Gore, u Fondu Ministarstva Finansija Knjaževine Crne Gore, za period 1908 – 1909. godine, kao i relevantna literaturu u kojoj je o tome pisano.

**Ključne riječi:**

Monetarni sistem; Crna Gora; Perper; finansije; aneksija;

Regardless of the fact that Montenegro received international recognition at the Berlin Congress in 1878, the monetary system, or the way in which the payment system was organized, did not change. In addition to the Turkish Lira and Russian Ruble, the Austrian coin Gulden/Florin was used and it remained the dominant means of payment until 1901 and its withdrawal by Vienna. Florin was replaced by Krone (korona), which began to be used in Montenegro as well, but that replacement did not substantially change any segment of the Montenegrin financial market (Djurovic, 2008). The presence of foreign coins in the payment system made it impossible for the Montenegrin Government to conduct any economic policy. The connection of the economic system with one of the foreign coins, most notably the Austrian Krone, had its political consequences due to the financial weakness of the country. Insufficient amount of Montenegrin money had the biggest impact on the state budget because it prevented the introduction of adequate tax measures. When paying for merchandise or debts abroad, the Government was losing money in the exchange, since money exchange rates were constantly changing, mostly to the detriment of the Principality. With so many Austrian coins and banknotes, Montenegro seemed to be an integral part of Austria-Hungary, especially in financial terms. In addition to the decision made by Article 29 of the Berlin Treaty (Pavicevic, 2004), this further undermined the hard-won independence. (Vukovic, 1996).

The beginnings of capitalism, which was developing in Montenegro during this period, required the legal regulation of foreign trade. With this regulation, the economy of the Principality was to be improved and facilitated. However, regulations like Trade Treaties with other countries did not bring this effect. Despite the Montenegrin Government's attempts to make a Trade Treaty with the Dual Monarchy it was more a political move of the young principality as a sovereign state than it had an economic effect (Djurovic, 2008). Namely, the signing of this and other trade agreements which in their clauses allowed the greatest privileges of placement of foreign goods in Montenegro were in favour of foreign countries and did not help the economic development of the Principality. Montenegro's trade dependence, primarily on Austria-Hungary, was the result of a huge difference between imports and exports. Imports were much higher and that made the Montenegrin trade balance constantly negative. The situation could not be improved either by the permanent financial assistance from Russia or the money sent by Montenegrins who were working in the USA (Djurovic, 2008).

Increasing economic problems prompted the Montenegrin Government to introduce its own monetary system, especially after certain political events. That was primarily the annexation of Bosnia and Herzegovina by Austria-Hungary, which had a serious impact on the geo-strategic interests of Montenegro in Herzegovina. (Djurovic, 2008). The act of annexation was not in accordance with the Berlin Treaty. The signatory states considered this act as a violation of the created order and peace in Europe, at the expense of strengthening Austria-Hungary. Montenegro immediately protested, believing that the interests of the people in that province, primarily Serbian, were threatened. Russia showed the greatest opposition to violation of the Berlin Treaty, but exhausted from the Russo - Japanese war could not do more. At the height of its power, Germany fully supported Austro-Hungary, which could also expect military assistance. Powerless to do more, the Principality of Montenegro abolished the obligation to respect the Article 29<sup>2</sup> of the 1878 Treaty at the National Assembly in Cetinje, using the new situation at least in that way (Jovanovic, 1995).

In this context, the decision of Montenegro to introduce an independent monetary system had a clear economic and political message, primarily to Austria-Hungary. The first step in this intention was the introduction of a series of minted money<sup>3</sup> in 1906 and 1908, which, like Montenegrin coins of small value, squeezed out Austrian money subunits- Hellers from the circulation of money. In order to complete the Montenegrin monetary system, the first series of Perper had to be forged, which would do the same to the superiority of the Austrian silver Krone in Montenegro. The aim of the introduction of the Montenegrin monetary system was to free Montenegro from the economic dependence on the monetary system of Austria-Hungary, but also to send a political message after the annexation in 1908. There were economic reasons as well, since Montenegro lost significant funds on the exchange rate difference in the previous period. This cost would be avoided with its own cur-

2 By Article 29, the coastal town Bar and the newly acquired coast of Montenegro were put under the permanent control of Austria-Hungary. The port was closed to foreign ships and military and medical inspection was also carried out by the Monarchy. See: Branko Pavićević, *Istorija Crne Gore, Sazdanje crnogorske nacionalne države 1796 – 1878*, book 4, Volume 2, Historical Institute of Montenegro, Pobjeda, Podgorica, 2004, p. 311

3 The first Montenegrin coin was Para. It was minted in Vienna in 1906. On this occasion, denominations of 1, 2, 10 and 20 Paras were minted, and two years later a series of denominations of 2, 10 and 20 Paras was minted in the same place. This represented the beginning of the formation of the Montenegrin monetary system. Para replaced the Austrian Heller in circulation and the Montenegrin state made the first step towards gaining economic independence.

rency, and an independent monetary policy would also allow the introduction of taxes for the use of foreign currency in its territory.

The man whose contribution was enormous and who was one of the most deserving for making this money was Miloje Z. Jovanovic, a Serbian finance expert. (Djurovic, 2008) Jovanovic<sup>4</sup> came from Serbia at the invitation of the Montenegrin government, with the aim of reorganizing and improving the work of the Ministry of Finance. He was a Chief of the Ministry of Finance from 1908 - 1910 . The Principality's Ministry of Finance would sign a Service Agreement<sup>5</sup> with him (DACG, MF, October 19, 1909).

By the decree of Prince Nikola<sup>6</sup> from May 4, 1909, it was officially approved at the proposal of the Minister of Finance to mint and release into circulation silver coins of 1 and 5 Perpers. It was stated that 60 thousand pieces of 5 and 500 thousand pieces of 1 Perper would be in circulation. When deducted from the cost of purchasing metal for minting, the creation of mould and preparing for the production of money, the resulting revenue was credited to the Chief State Control and recorded as an extraordinary income for 1909. (DACG, MF, May 4, 1909). The official newspaper of the Cetinje Court "Glas Crnogorca" published this decision two days later (Glas Crnogorca, No. 25, 1909). The model for the first silver coin was made by the expert of the Vienna Mint, Stefan Schwartz. Miloje Jovanovic informed the Montenegrin Minister of Finance, Dusan Vukotic, by telegram from Vienna.

In November 1908, Jovanovic also met, in Vienna, with the director of the Vienna Mint, the Serb, Dimitri - Mito Petrovic. With his support, a deal with the Vienna engraver Stefan Schwartz was arranged. Schwartz took over the job of making the

4 Miloje Ž. Jovanović was born in Loznica. He was an expert in finance. The Serbian Government sent him to Cetinje to arrange Montenegrin finances, where he remained until 1910. He recorded his work in Montenegro in the manuscript "My Memories from Montenegro", which is kept at the Historical Institute of Montenegro in Podgorica. He was a minister in the Serbian Government in 1918. He died in 1953.

5 In August 1908, a Service Agreement was signed between Jovanović and the Ministry of Finance of the Principality. The document was made for a period of two years, with the possibility of extension. The annual salary was agreed at 6000 Kronen. The Government of the Principality of Montenegro was very satisfied with the work of the Serbian expert, and in December 1908, by the decree of Prince Nikola, he was appointed as the Government Commissioner of the National Assembly. The great merits of this expert were crowned with the release of the Montenegrin silver coins, and he was personally decorated with the Order of Prince Danilo I.

6 The decree was published in "Glas Crnogorca", after the money arrived in Montenegro. The reason why this was not done before was probably related to the difficulties that arose during the process of minting in Paris and the fear of whether it would be successfully completed at all.

character of Nikola I for the coins (DACG, MF, November 21, 1908). Petrovic believed that minting Montenegrin money in Vienna would be faster, cheaper and of better quality, but given the political situation he did not know whether it would be good for Montenegro. It should be remembered that the first steps in the introduction of the monetary system in Montenegro were made in 1906 and 1908, when Para (money of small value) was minted in Vienna. Under the new circumstances, after the annexation of Bosnia and Herzegovina, Paris was chosen for the job (Djurovic, 2008). Jovanovic explained the need for minting outside Vienna in the following way:

*„ ... it would not be political: to mint money in  
Vienna now when Montenegro and Serbia are  
in such strained relations with Austria-Hungary ”*

*(DACG, MF, November 21, 1908)*

The Government of Montenegro authorized Jovanovic to take care of the loan for carrying out the minting. The authorization gave him the opportunity to cooperate with the National Bank of the Kingdom of Serbia, some other bank in Belgrade, or a bank abroad. (DACG, MF, 1909) The loan was secured with the National Bank of the Kingdom of Serbia in the second half of October. The bank agreed to provide the Montenegrin Government with a loan for minting 800 thousand Perpers, worth 800 thousand Austrian Kronen. Procurement of silver, production of moulds and models and transport of money were also agreed. The bank obliged itself to inquire about the prices of minting in London and Paris. The Government of Montenegro was obliged to pay the costs in gold to the National Bank of Serbia, immediately after receiving each round of coins. The shipments were sent in tours of 100,000 Perpers, and after the payment of a shipment, another would be sent. The bank in Belgrade did not ask for a commission for the contracted work, but sought interest on its claims. (DACG, MF, 1909, National Bank of the Kingdom of Serbia – to Mилоje Z. Jovanovic).

The choice of where to mint money was not in relation to the highest quality or even the cheaper offer. In his letter to Minister Dusan Vukotic, M. Jovanovic emphasized this again, saying that:

” ... Austria-Hungary was the cheapest for minting coins because it offered the cheapest production and in the shortest time... Only to be afraid that Austria wanted that job more for political than material benefits“

(DACG, MF, November 5, 1908)

However, the authorities in Cetinje were determined to ignore this generous offer as a protest to the policies of the Habsburg Monarchy, as evidenced by Jovanovic's words that he:

“... was driven by the thought that it is better to work here in Paris, even if it is more expensive and slower, than to return to Vienna again and thus show that we cannot do it without them”

(DACG, MF, November 5, 1908)

Further on, he said that he was looking for the best companies for making moulds and preparing for minting. Parisian company “E. Vert Et Ch. Ozana“ was the first one he negotiated with, but they could not finish minting within a time frame that would fit Montenegro's current situation and need for the money. After receiving the money model from professor Schwartz, it would take 9 months for the company to complete the job of minting silver Perper (3 months for coins of 1 Perper and 6 months for coins of 5 Perpers). The company which did this historic job for our country was also from Paris. “Bertrand & Berange“ agreed to do the job cheaper and faster than the previously consulted companies, after Jovanovic guaranteed them that they would be hired again if the job was done well. The company was recognized in France as the one which was old and experienced in similar businesses. Also, the production of Perper was to proceed within a favourable timeframe (5 weeks for 1 Perper coins and 7 weeks for 5 Perpers coins, after receiving the model from professor Schwartz) (DACG, MF, November 5, 1908). It should be noted that, at the suggestion of Jovanovic, the draft of this Perper was done by Ilija Sobajic, an artist from Niksic and a teacher at the Cetinje High School (Novakovic, 2004).

The plan included minting silver Perper in denominations of 1, 2, and 5 Perpers, but it was later decided to mint only denominations of 1 and 5 Perpers in silver and leave the denominations of 2 Perpers for some other occasion. (DACG, MF, November 21, 1908). This was officially confirmed in an act of the Ministry of Finance, which stated that the Perper in two denominations would be identical in weight and composition to the Austrian money of 1 and 5 Kronen. (DACG, MF, November 11, 1908) Thus, the order for minting money by the Minister of Finance, issued in October 1908, omitted the part of minting: “100,000 pieces of 2 Perpers = 200,000 Perpers” (DACG, MF, October 8, 1908).

The purchase of silver and copper had to be carried out, so Jovanovic advised the Government of Montenegro to request from the Banque de Paris et de Pays Bas, through the National Bank of Serbia, to buy the necessary materials. Coins would be made so that 1 Perper coins would be of 5 grams with a percentage of silver : copper 83,5 : 16,5 % , while 5 Perpers coins would be of 24 grams with a percentage of 90 : 10 %. Due to the possible increase in the price of silver, the Government was advised to buy it as soon as possible and to keep it in the bank or mint until the beginning of use (DACG, MF, November 5, 1908). After this, the authorities in Cetinje contacted the National Bank of the Kingdom of Serbia in December 1908, stating that the year of minting would be 1909. The bank replied to the dispatch in which the urgent purchase of silver was requested, that the increase of the price of silver was not expected (DACG, MF, December 18, 1908). However, a month after that, in January 1909, the National Bank of Belgrade announced that the silver had been purchased and sent a calculation and price at which it was purchased from the Bank of Paris. The same notice stated that, by the order of Cetinje, a bank in Paris was also informed to procure copper for minting Montenegrin money (DACG, MF, January 19, 1909). The copper was not purchased but it was provided by the Paris Mint, which included it in the price of minting (DACG, MF, February 5, 1909).

On behalf of Montenegro, the secretary of the Serbian Embassy in Paris, Stevan Pavlovic, carried out the control of the Paris Mint's affairs in relation to the minting of Perper. Minting in France turned out to be worse than predicted. When controlling the minting, Pavlovic noted that both models of money were damaged. The Montenegrin Government was informed of this by his superior, a Serbian minister from Paris, Vesnic (DACG, MF, February 4, 1909).

The Montenegrin authorities assumed that the minting in Paris would not be of the highest quality, like the previous ones in Vienna, where the Mint was famous for making coins. However, they did not expect that minting would be so much worse or the problems which appeared.

The moulds for coins were produced by the "Bertrand & Berange" company, which was entrusted with the minting. The minting was paid by the Ministry of Finance of the Principality of Montenegro, through the National Bank of the Kingdom of Serbia (DACG, MF, May 30, 1909).

Unlike Pavlovic, Miloje Jovanovic was informed in February by a telegram from Paris that minting of Perper had gone well, but that denominations of 5 Perpers needed to be retouched. He told the news to the Governor of the National Bank of Belgrade, expressing his hope that the minting would start soon (DACG, MF, February 21, 1909). The problems mentioned by the Serbian Embassy in Paris were serious, as Vesnic informed by telegram in March that the minting had stopped due to the repair of the models (DACG, MF, March 1909). The Ministry of Finance of the Principality of Montenegro requested that minted Perper coins needed to be sent from Paris to Cetinje. Commissioner Pavlovic informed that there was a malfunction of the minting machine and that only 12 thousand pieces of money had been minted. He also said that the flaws of the coins were minimal and did not affect their good looks. The money was sent to Cetinje after that, while the Mint in Paris stopped minting Perper until the Montenegrin authorities gave them permission to continue with the work (DACG, MF, May 4, 1909). The slow production of the Paris Mint was related to the fact that the model needed to be repaired and sent to Schwarz in Vienna. The director of the Vienna Mint, M. Petrovic, did not hide his surprise in the letter that the minting had not begun. He said that the model which the engraver should correct had not been sent, adding that the greater delay meant the greater damage for the interests of Montenegro. He claimed that if it had been minted in Vienna it would have been finished long ago (DACG, MF, May 9, 1909). In the following correspondence, he advised that the future minting of gold coins should be made at the Vienna Mint, with the agreement of the authorities of Montenegro and Austria-Hungary. He also conveyed the satisfaction of the governments of Serbia, Romania and Bulgaria with their money minted in Vienna (DACG, MF, May 25, 1909).



The Ministry of Finance of the Principality of Montenegro paid the minting costs through the Montenegrin and Podgorica banks, ordering them to pay certain amounts to the Bank of Paris. A note was sent to Podgorica Bank with the route by which the money should be sent. The consignment was sent from Paris, through Italy, and finally from Venice to Bar (DACG, MF, May 5, 1909).

The silver Perper was transported by the steamboat company “Palja”, which could be seen in the order of the Minister of Finance from May 27, 1909. Minister Vukotic informed the Bar Society, Customs House and the Regional Administration of the town of Bar that the state money would arrive in the next few days. Upon arrival, the money needed to be checked in the presence of the captain of the Customs Office in Bar and the county manager and determine if it was damaged. Then it should be transferred to Rijeka Crnojevica, from where it would be sent to Cetinje by post (DACG, MF, May 1909).

In June, captain Lekic, the head of the Customs Office at Vir, informed the authorities in Cetinje by telegram that the money had arrived (DACG, MF, June 1909). It is interesting to note that there was a brief problem in transporting the money to Cetinje from Rijeka Crnojevica, because of a driver’s strike. Jovanovic ordered to transfer the money to a safe place, while in the morning of the following day it had to be transferred to the capital with an emergency car (DACG, MF, June 1909). Very soon, upon the arrival of the money, there was the new - old offer from Andrijevisa to spread the new Montenegrin money over the territory of Turkey, as was previously done with the principal’s coins of small value (DACG, MF, June 1909).

Initially, the circulation of the newly-minted silver Perpe was performed as expected – equal to that of the Austrian Krone. However, the monetary and financial pressures of the Dual Monarchy on the Montenegrin currency began a few months later, which made it especially difficult for the people from Montenegro who traded with our money in the Austro-Hungarian territory. There was no problem in exchanging small sums, but when it came to exchanging hundreds of Kronen, it was not done equally. Montenegrins had to pay four Paras for that exchange, which was a big problem for them. The situation was overcome when the Administration of the Serbian Savings Bank in Kotor agreed to change Perper for Krone with the same system and then send that Perper back to Montenegro. All the bank asked for was to pay her postage for the money sent (DACG, MF, August 28, 1909).

The financial profit from the 800 thousand minted Perpers was great, since after the payment of all minting costs, the state treasury had a net income of 492 thousand Perpers (Novakovic, 2004). By minting silver money and injecting it into circulation, the Austro-Hungarian Krone was gradually squeezed out of the Montenegrin monetary system, thereby confirming the principality's financial independence from its powerful neighbour. Due to the large number of minted silver coins, many of them have been preserved. The gold Perpers, which were minted later, were destroyed by smelting and turning into Kronen upon their arrival in Austro-Hungary, which negatively affected the further development of Montenegrin finances (Djurovic, 2008).

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The introduction of the monetary system of Montenegro in 1909 was a consequence of the economic and political circumstances in which Montenegro found itself at that moment. The use of foreign money which led to trade imbalances and economic dependence, also led to the need of urgent arrangement of Montenegrin finances, not to mention the lack of tax control in the country. Apart from that, the circulation of the Austrian Krone was carried out in the territory of the Principality as if it was an integral part of the Austro-Hungarian Empire, which was very bad for Montenegro's reputation and independence. The process of arranging finances, as well as minting in Paris and not in Vienna as in previous years, was a form of resistance to the Austro-Hungarian expansion policy on the Balkans, marked by the annexation of Bosnia and Herzegovina. Creating its own monetary system and completing it with minting Perper in 1909 was a positive continuation of Montenegro's financial independence, especially at a time when political events put the Principality in a very difficult situation. The stabilization of the Montenegrin economy, which would continue to be worked on, would facilitate the relation and position of the Principality towards the Habsburg Monarchy.

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