

MONETARY CIRCULATION, THE BANKING SYSTEM AND FOREIGN CAPITAL IN THE ROMANIAN ECONOMY (1878 – 1914)

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Abstract

In our article, we are concerned to highlight a model of measures capable of producing the rapid integration of Romania, in the economic-financial world, in the conditions of the newly conquered independence, able to recover the handicap imposed by the tutelage of the former conservative empire. functioned as an integral part. In order to argue the veracity of the chosen topic, we referred to arguments such as: monetary circulation and the banking system, the monetary reform of 1890, as measures to consolidate the Romanian banking system and large foreign capital that remained in reserve for a while, compared to industrial investments in Romania, which could not find a suitable market

Key words: *monetary circulation, banking system, foreign capital, bank, loan*

JEL Codes: B15, B19

Introduction

It is known that classical liberalism reached its peak at the beginning of the first industrial revolution, being considered by thinkers of the time, that it has no ability to find solutions, at least in theory, in the late nineteenth century. By no means did he raise the issue of giving up his principles and theories, but his inadequacy was commented on.

Under the influence of specific economic conditions, there was a concern about costs and supply, abstracting demand (Lungu, Cosma, p. 272).

Also, the same period of time was marked by a group of thinkers, school creators, recognized as founders of the marginalist current.

Under these conditions, in Romania, which had just conquered its independence, less theoretical issues were taken into account, and more pragmatic and urgent solutions were sought, to place the country on a favorable path for the development and consolidation of capitalism. and liberal relations.

The monetary and financial problem had to be solved quickly, for the country's integration in the European world, from an economic and financial-banking point of view.

A process of modernization followed, which required a considerable expansion of public institutions, of the administrative apparatus, the state budget remaining one of the poles of attraction of income sources for a growing mass of beneficiaries, of which civil servants represented the category that recorded the most dynamic growth, almost four times, in six decades.

1. Monetary circulation and banking system

During the war of independence, paper money was issued, for the first time in Romania, in the form of mortgage notes, guaranteed with state real estate, first of all with estates. The mortgage tickets were printed in Paris, under the direct supervision of Eugeniu Carada and Emil Costinescu, as proxies of the Deposit and Consignment House, which, in this case, fulfilled the role of an issuing bank.

In 1878, in addition to the state-issued mortgage notes, Romanian metal coins and Russian silver rubles, received for the payment of the supply of the tsarist armies, were in circulation, the money circulation being formed by silver coins and paper money.

Immediately after the end of the hostilities, all the coins that did not fall under the monetary law of 1867 began to be withdrawn, so that, in 1879, the Romanian monetary field was cleansed of the fossil remains of medieval money. (Mihai, 1907, p. 67)

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As the bimetallic financial system worked in Romania, the disappearance of gold from the effective circulation was found as a consequence of its hoarding by the population and especially the devaluation of silver over gold, due to the discovery of silver deposits in different countries of the world. The devaluation of silver continued to increase, reaching in 1880, over 16%.

The year 1880 would materialize the results of liberal thinking, dominated by the idea of achieving a strong national credit system. Thus, I.C. Brătianu submitted the draft law on the establishment of a national bank - which received the name of National Bank of Romania - which the legislator voted after long and lively debates. (Brief History..., 2003, p. 79)

The law, of April 17/29, 1880, regarding the “establishment of a discount and circulation bank” established that the state had a participation quota of 1/3 of the initial share capital, the rest being represented by the private capital.

The subscribed capital of the B.N.R. it was only native and belonged to industrialists, merchants and other entrepreneurs, generally enlisted in the National Liberal Party. From 1901, the state was taken out of the stakes, so that the B.N.R. it was a bank with 100% private capital until the First World War. The formula that the initiators stopped at was that of a joint stock company. (Kiritescu, 1964, p. 299)

In accordance with its statute, the new institution was concerned with successively withdrawing the mortgage notes and by virtue of the most important attribution which was the monopoly of the monetary issue, it issued bank notes. (Slavescu, 1925, p. 24) The first banknotes of the B.N.R. they were put into circulation on November 28 / December 10, 1880. In fact, they were old mortgage notes of various values, transformed into banknotes by applying a stamp bearing the bank's title and covering the name of the mortgage note. (Kiritescu, p. 307)

In the first years after its establishment, there was a sharp increase in the mass of banknotes put into circulation.

2. Monetary reform

In 1890, a monetary reform took place (Jinga, 1981, p. 83) through which Romania introduced the gold standard. By another law, from March 1892, in order to strengthen the base of monetary circulation, the transition to the gold-foreign exchange system was made, which became generalized, much later, in the reserve policy of the issuing banks. (Jinga, 1981, p. 51) Monetary reserves were increased from 30% - in the year B.N.R. was established, to 40%, of which 30% were foreign exchange on the London and Berlin money markets.

B.N.R. it also played the role of a commercial central bank which, through discounting and discounting operations, could control the entire Romanian banking system. Its establishment was of great importance for the development of the economy and the modernization of the country. Around the B.N.R. a banking system was created that included all types of known banks: commercial, mortgage, popular banks, insurance companies.

3. Consolidation of the banking system in Romania

As a peculiarity for our country, we can mention the existence of banks that operated with foreign capital, many of them being formed around old loan houses or as subsidiaries of international banks, such as Marmorosch-Blank Bank, as the main pivot. of foreign capital in the Romanian banking system and the Romanian General Bank, with important interests in the Romanian industry.

In Transylvania, the strongest banks belonged to the Austrian, German or Hungarian capital. Romanian banks had a weaker financial strength and were more like popular banks such as: “Albina” (Sibiu), “Furnica” (Făgăraș), “Timișana” (Timișoara), “Victoria” (Arad), “Ardeleana” (Orăștie) and others. These banks encountered difficulties, due to the policy of

the Austro-Hungarian state which sought to limit the scope of action of Romanians in the banking and credit system.

Public credit In this field, three practical ways can be distinguished: internal state loans - contracts to individuals, other than B.N.R.; loans made to B.N.R.; loans contracted abroad.

By 1882, the state would contract not only domestic loans but also abroad. The total of the public loans was (nominal capital) of 1,182,524,611 lei, of which: after the amortizations made, a nominal value of 519,013,321 lei remained to be paid, on March 31, 1882. The purposes of these loans were: compensation related to the emancipation of slaves, the application of rural law, coverage of budget deficits, construction of railways, conversion of previously contracted loans and mortgage tickets.

The interest paid by the state was raised well over half of the borrowed amounts representing the external debt.

Between 1882 and January 1900, the public debt increased by 1,400,966,027 lei. Among the internal creditors, an essential place was occupied by B.N.R., the rest of the loans were external. Real interest rates ranged between 4.86%, 6.04% and even 8.18% annually.

The public debt burden has led to increased taxation. But, the taxation fell the hardest on the peasants, because the analysis of the land tax paid on categories of properties shows that at one ha, the peasant paid more than the landlord.

After the incorporation of Transylvania into Hungary, the game would take place to the detriment of the population of Transylvania.

At the beginning of the First World War, the market was the supreme regulator of economic life, through the commodity market and the money market. (Jinga, 1981, p. 54)

4. Foreign capital in the Romanian economy

Initially, the large foreign capital remained in reserve for a while, compared to industrial placements in Romania, because they did not find the Romanian market, neither attractive nor interesting, in the creation of factories, as it was much more profitable to deliver finished products.

The disaster caused to Romania by the free trade policy, which was the basis of several unprofitable trade conventions, determined the birth of a strong current for a protectionist policy, able to create and encourage a national industry (Savin, 1947, p. 29). The law of 1882, but especially that of 1887, were the expression of these new policies, under the shelter of which began an intense stage of industrialization of the country, encouraging Romanian and foreign entrepreneurs through multiple facilities. . All this was due to the fact that the internal accumulation of capital was weak, so that attracting foreign capital appeared as a necessity.

On the other hand, foreign capital was also interested in penetrating the Romanian economy in some areas. Through concessions, at various German, English, French or Austrian banking groups, railway sections were built, bought after 1880 by the Romanian state.

In particular, after the conquest of state independence, the consolidation of the capitalist economy and implicitly the shaping of its European status, the conditions of participation of foreign capital were relatively improved, some of the loan agreements (previously concluded, being renegotiated, rescheduled and converted into conditions easier to bear by the state budget and the Romanian taxpayer.

In general, capital imports were made through loans to the state - not once accompanied by concessions, the establishment of industrial, commercial and banking enterprises or participation in existing ones and loans to banks, commercial or banking enterprises.

Regarding state loans, it is telling that, in 1914, the Kingdom of Romania owed Germany - 903,075,000 lei, France - 483,790,000 lei, and Belgium, the Netherlands and Switzerland (together) - 64,505,000 lei. In the banking field, of the capital held by the largest

banks in Romania, 60% belonged to the capital of Germany, France, Austria-Hungary, England and Belgium.

In Transylvania, too, foreign capital was predominant in industry and banking and accounted for about 95% - in machine building, 87% - in the chemical industry, 78% - in the textile industry and 56% in electricity production.

Conclusions

The period of qualitative transformations, profound political-institutional transformations and accumulations on multiple levels, started with the moment of conquest, in fact, of state independence, in 1878, had beneficial consequences on the economic and social development of the country, marking the beginning of a periods of modern, more sustained development of the national economy. Romania has become more and more integrated in the European economic circuit, benefiting on a wider level from increased possibilities for the promotion of its interests in the field of material and spiritual civilization, truly, modern.

There was a more pronounced opening of liberal ideas, to solve tasks arising from the needs of the country's development, a more vivid perception of the pulse and trends of the time, a more pronounced willingness to embrace broader categories of interests and boost the capitalist process. modernization of the country, despite the fact that the monarchy sought to maintain the liberal-conservative balance as an element of alternation and stability of structures and life forms.

Monetary circulation, banking system and foreign capital,

In general, the socio-economic and political evolution of Romania, from the middle of the 19th century until around the First World War, crystallized a type of modern civilization, with distinct constitutive features, whose fundamental characteristic would be the modernization adapted to the interests of the landlord, of the great land property, (Constantinescu, 1998, p. 272) on the background of the increasing share of the interests of the industrial, commercial and banking groups of the country.

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