

THE JUDICIAL SYSTEM OF CREDIT BANKING IN MOLDOVA

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Abstract

In the transition period to the market economy, the currency, the bank, the credit, play an important role in the national economy. Known since the time of Hamurabi, the credit has expanded, experiencing a growth in Moldavia as well, along with the growth of commercial activity, represented by loans, credit transaction, the apparition of credit title based mortgaged, but especially after 1834, when the birth of a credit institution was planned, in the form of action based anonymus societies.

Keywords

money loaner, bank, Moldavia

Especially after the treaty of Adrianopol took place, in 1829, the credit in Moldavia started to develop, a long with the ingrease of production of in cities and villages, which lead in turn to the increase of commercial activity. The documents of the age mention as credit operation especially loans and sales on credit, as well as the aparition of credit title based morgages. Up to 1834 the birth of a credit institution was planned, in the form of action based anonymus societies , but to no prevail.

One can assume that the bailiff acts constituted credit operations, the debts made by the landowners had become so problematic, that it contributed to the bissapearence of this social class around the revolutionary yeard of 1848 the bailiff contributed to the downfall of manymerchats and craftsmen, yomen or peasents who couldn "t pay their debts. Sunk in debt, the Moldavian landowners tried to avoid economic ruin by creating a foreign capital style bank, with the aim of obtaining lucrative loans, and to break the monopoly of the local bailifs.

In 1847, a group of 20 moldavian boyards got touch with the merchant reinecke, from Leipsig, in order to establish a bank called "the German private credit institution", a bank which would loan the landowners with aleast 2% under the legal interest, which was 10% per yers according to & 1332 of the Callimach Cod . The bank would loan according to the mortgage system and it would make payment easier through annual andrisations, which in turn implied longer terms, because of the social –political turmoil in 1847-1848 s Europe and the unfaudrable climate to establish a credit institution , reinecke consequently suspended his banking proiect in Moldavia. Also , the young Moldavian progresists realized that agriculture, commerce and industry would prosper through cheap credits, which convinced them to include in the revolutionary demand of 28 march 1848 the establishment of a credit bank "in order to ease the tradesmen , so that the commerce may bloom", as well as "thestrict keeping of the laws that form the basis of the credit", no motter the status of the person in order to keep "the safety of commercial relation".¹

¹ Punctul 16:"Păzirea cu sfințenie pe care se reazemă creditul public, și aceasta în privirea tuturor fără osebire, pentru siguranța relațiilor comerciale".17. Informarea unui tribunal de comerț la Iași; codul de comerț al Franței, consfințit de Regulament, să fie tălmăcit în limba țării. 18.

In Mai 1848, Vasile Alecsandri, in Manifest in the name of Moldavia, of manhood and of God, reinserted the points of the petition of 28 March, further developing then, a long with the ones referring to the public credit (16) the commercial tribunal(17) and the credit bank (18)² showing that the lack of a national bank, “all the profit of trade is in the hands of the bailiffs” and that these speculated the people with “crooked bailiffs”, and to put an end to this system of thieves, establishing a national bank was compulsory, and to satisfy the commercial needs, a credit bank was indispensable. Then, Mihail Kogălniceanu, in August 1848, published the brochure: „The needs of the national party in Moldavia”, edited by request of the revolutionary committee in Moldavia, in which it declared that „promulgating the laws of credit in order to assure the correct payment of ones debt, with no exception in regards of the applicants” as well as “the establishment of a national bank, one of credit and of the exchange houses” were natural demands, for which no further explanation will be necessary.³

The banking issue didn't incommode Mihail Sturdza,⁴ the one who suppressed the revolutionary movement, as such he agreed to establish a bank. This being sad, on July, 26, 1848, the brutal ruler who disposed thriftily with the revolutionaries, addressed to the extraordinary administrative council a proposition, in which was stipulated that the payment of the loans should be done accordingly with the legal requirements of the civil and commercial code, with no exception in regards to status, furthermore, declaring that „in the moment that the capitalists will come to an agreement”, the birth of a bank will take place “in order to facilitate trade”.⁵

Known for his thirst for money, the ruler saw important personal gains from this business, but nothing took place until a year later, when he abdicated.⁶ The next ruler, Grigore Ghica, had to face the difficult situation in which the state was, and had to make huge unfavorable loans in order to fill the state's coffers. That is way, in order to resolve his financial problems, he establishes a foreign capital bank, which collapsed one year later, and the local bailiffs continued to rule the market.

The Moldavian market was dominated in those years by a small hand of bankers from Iasi and Galati, which professed having their firm registered at the treasury and by paying a patent. Along with the bankers, there were the bailiffs, which primordial occupation was the currency exchange, as well as other merchants and even private individuals. The bankers had foreign relations, benefited also of a steady flow of foreign capital and were to become the masters of the moldavian economic life and possessed a high influence in the state apparatus.

The most influential bank at the time was Michael Daniel and son⁷, which under the reign of Mihail Sturdza had a very privileged position, as the one who paid the rulers debts, made in order to secure the throne. Having strong ties with banks and firms in Frankfurt am Main, and especially with the Rothschilds, the Daniel bank obtained the favour of the international financiers, which allowed her to make big profitable business with the great moldavian landowners and with the merchants

Banii de rezervă să fie întruinați în formarea unei bănci de scont pentru înlesnirea neguțătorilor în înflorirea comerțului ».Textul integral în Cornelia Bodea, **1848 la români. O istorie în date și memorii**, vol.I, Editura Științifică și Enciclopedică, București,1982,p.359-361.

² Textul integral in Ibidem,p. 385-397 pe care Alecsandri îl semna ca “mădular al comitetului ales de obște pentru redacția cererilor sale „.

³ Textul publicat la Cernăuți avea 104 p.Am folosit textul din **Ibidem**,p.647-682.

⁴ D. Ciurea, **Moldova sub domnia lui M.Sturdza**, Iași, 1947, p. 95.

⁵ G.Zane, **Cea dintâi bancă Națională a Moldovei**, în Arhiva,XXXIII (1926),p.111.

⁶ Vezi și M.G. Romașcanu, **Banca Națională a Moldovei**, București, 1932, p. 36-37.

⁷ M.G.Romașcanu, **Zarafia Michael Daniel**, Bucuresti, 1933, p. 5.

in the country.⁸ The senior manager of the bank was Israel Chaim Daniel, obtained a high status among the boyards, so much so that he received the rank of finance minister in 1857 from chancellor N. Conachi-Vogoridi. The Michael Daniel bank was very prudent in giving credits and only with serious guaranties, which brought it prestige and solidity, even if in terms of capital, other ventures overtook it. Only towards Mihail Sturdza it showed generosity when he was reigning that is, with all other, prudence⁹ being its prime feature, in contrast with Leiba Cahane and Moise Idel Vecsler, which satisfied easier the demand of a loan, being capable of easily overtaking the other bank in Moldavia in terms of yearly net income. The two bankers parted in 1855, continuing separately their businesses. Leiba Cahane maintained a prominent position, therefore the boyards intrusted it with thousands of "galbeni" into their bank accounts. In many turns, when the coffers ran low, it appealed to Leiba Cahane¹⁰. Having as a partner, the good for nothing Alecu Ghica, the son of Grigore Ghica, and with a hefty Viennese capital which he invested wisely in Moldavia, he offered by the boyards. We have the example of princess Olga Obolinski, born Durdza, whom not being able to obtain a loan from the national bank of Moldavia, in 1857, she obtained the sum of 10.000 galbeni from Leiba Cahane, by mortgaging her dotal estate. This banker would prove ever more impudent with his banking decisions, which costed him significant damages and eventually bankruptcy in 1869¹¹, while his former associate opted for fewer and less risquier endeavours. After parting from Leiba Cahane in 1855, Moise Idel Vecsler, saw himself overshadowed by his former companion, but was to survive among the top bankers in Moldavia. From the most important transaction that Vecsler overtook, we recall the loans given to Iorgu Aslan (postelnic) 11.200 galbeni, to Nicolae Negruți finance minister 14.000 galbeni, to princess Catinca Conachi Vogoridi 7756 galbeni, to Nicolae Miu 12.635 galbeni, and also to be found in 1864 in a partnership with Michael Daniel or with the woodchip trader Marcu sin Lupu of Piatra Neamț. The public appreciation for the banker Vecsler, would become evident in his cooperation with Iasi's city counsel, which assembled the most respected tradesmen and bankers, for deciding on the exchange rate of several currencies, in November 1859.¹²

The Jacob Neuschotz bank, grew from small exchange operations to major businesses, having among its clients the most influent boyards, and becomes almost as prestigious as Michael Daniel and son towards the end of 1864. This bank gave in 1855 to the merchant Dominic Bereznitchi a credit of 10.000 galbeni, increased in 1869 to 18 000 galbeni, it gave to Costachi Ghica vornic, a loan of 11000 galbeni and in 1861, it cessions to Iancu Alecsandri 13500 galbeni, from David and Anton Luca Goilav.¹³

The Leiba Meierhofer bank, which also dealt with estate speculations, brady cereal and salt commerce, but with its main activity being loans, quickly affirmed itself at the top in this period. Among the clients of this bank we find mostly mercantes, but also boyaros, such as: Panait Balș, Alexandru Catargiu, Ioan Greceanu vornic, Alexandru C. Sturdza vornic, Alecu Aslan hatman, but also m.Kogălniceanu, who imtitles through a special act this banker to obtain the sums indebted from the military

⁸ Ibidem, p.9-15,

⁹ **Dezvoltarea economică a Moldovei între anii 1648 și 1864**, Editura Academiei, 1963, p.386.

¹⁰ Gh.M.Dobrovici, **Istoricul datoriei publice a României**, București, 1912-1913, p. 61 și 467.

¹¹ **Dezvoltarea economică a Moldovei**, p. 386-387.

¹² Ibidem, p.388.

¹³ Ibidem, p.388.

intendency through several advantaged supplies to the army. Even the state treasury makes loans from this bank, agreeing to pay interest above the legal requirements.¹⁴ If Michael Daniel and son and Leiba Cahane, Moise Idel Vecsler, Iacob Neuschotz and Leiba Meierhofer banks dominated the moldavian market at the time, we must remember other bankers from Iași as well, like Avram Ițic Cofman, Avram Cohn, Solomon Ber, the firm W. Wechsler, Hornstein and Wortman, A.M.Byk and sons etc. If the banks or the bankers were all in the capital, only in the second commercial city in the country, Galați, were other bankers with ties outside the country, such as: Marcu Tal, the Abramowitz brothers, the Schlinger brothers, I Mendel and I.O.Rotemberg, as one can observe, these were jews as well. The Abramowitz brothers received the privilege to transfer the tribute to Constantinople, the retribution of “capuchehaei” and the subvention of a French newspaper writer from the officious gazette of the ottoman government. They took 12% interest from the loans given to the moldavian state, and for the funds transferred to Constantinople only 0,050%. The Schlinger brothers were entrusted with recuperating the funds invested into the bankrupt local office of the Moldavian National Bank's¹⁵. We mention that in 1856, an office of the Otoman Bank¹⁶ opened in Galați, the first branch office ever to in Moldavia of this importance, the leadership being given to A.L.Powell, the administrator of the export meathouse and of the meat can factory in Galați, and to H.A.Jakson. The primary objective of this branch office was the export of romanian product, such as wheat and corn, but it also did credit financing. At first, the office adopted an unprivileged stand towards the government, but it soon changed in attitude, after the establishment of the Bucarest office, and this time, the romanian government makes a loan on 10 of August 1864 from the Otoman Bank and from the stern brothers in London, consisting in the sum of 718.548 pounds, with a 7% interest and a 2% buffer obliging itself to give back 916.000 pounds. In 1864, the Galați branch liquidated its properties and was replaced by the branch office of the Bank of Romania.¹⁷ In 1950, the Moldavian government had in mind to establish a privileged bank with german capital with the role of emission, credit and mortgage bank, its prime objective giving long term loans, with low interest. The international stage prohibited the completion of the project until the 7/19 may 1856, when Grigore Ghica, on the basis of a decision of the rulers counsel, grants Friedrich Ludwig Nulandt, the leader of a credit institute in the Dessau dutchy, the privilege to create an emission, a credit and a mortgage bank, under the firm “the bank of Moldavia”, constituted on an anonymous action based society, with a capital of 10.000.000 marks from Prussia the bank had exclusivity on emitting banknotes, with at least a third in gold as back up, the rest being “sinete” and title of commerce, with a three months at most. The Bank was authorized to carry credit operations as well, to receive sums or to give sums by mortgage etc. The privilege given to the bank extended for 25 years, and would quietly prelong itself for another 10 years, if two years prior to the deadline, the government wouldn't manifest a different opinion. On the pressures of Austria, who wanted a vieneese banker in nulandts place, the chancellor Teodor Balș, didn't give his approval for the bank to function without the agreement of the ottomans, wich obligate nulandt to go to Constantinople, where he obtained a letter from the vizir which contained his consent, under the name of “The National Bank of Modavia”. The bank opened on 12/24 march 1857, later on establishing a branch office in Galați. From the beginning, there were many requests for loans, many those in debt transforming their short term debts contracted from other banks or individuals in long

¹⁴ Ibidem, p. 389.

¹⁵ Ibidem, p.389-390

¹⁶ Gh. Ravaș, **Din istoria poporului românesc**, București, 1955, p.41.

¹⁷ “**Curier financiar**”, din 18/30 decembrie 1877, p. 342.

term debts to the National bank with a lower interest. As the debts of the National Bank from abroad were long term ones, and its loans being long term ones, especially mortgage loans to be recovered in 17 years, and the fact that the owners couldn't supply more fund because of the lack of profitability, the banknotes couldn't be put into circulation over to the lack of the legal metal backup there after, the world economic crisis at the end of 1857 didn't convince the German lenders to accept any prolonging, all of which constrained the national bank of Moldavia to suspend its payments on 11/23 March 1858, and disappearing after only one year of functioning.¹⁸

On 10 April 1858, the Chancellor N. Conachi-Vogoridi, approving the government's report, decided to communicate to the bank that "if in two months it won't settle all her debts and the act of concession", the privilege will be annulled¹⁹. Because after the deadline had expired, the bank didn't resume its payments, on the basis of the government's report from 11/23 June 1858, the Chancellor annulled all privileges given to Nulandt in 1856, implementing the measures for them in the commercial code "in order to assure the persons whom had the right to the bank's capital."²⁰

Soon, on the 19 of June 1858, the Iasi courthouse, section 2, having into fact two complaints made by two bank owners remarked that the National Bank of Moldavia was unable to pay its debts from 11/23 March 1848, and in accord with article 440 from the commercial code, the bank was declared bankrupt. The court named one of its representatives, Dimitrie Filipescu (spatar) as judge comisar of this bankruptcy, as well as two bankruptcy judge extra., one of which being M. Kogalniceanu (vornic).

As a consequence to the court's decision, the main German creditors of the national bank, send delegates to Iasi for negotiations, and finally, agreed to give to Oasi courthouse, section II, the sum of 7116 galbeni in cash, and mortgage rights in value of 10.000 galbeni

This agreement convinced the Iasi courthouse, section II, on 6 November 1848, along with the retraction of the creditors complaints and that "were there isn't a complaint issued by a creditor, one can't speak of a bankruptcy", decided to overrule the bankruptcy request previously made.²¹ The government refused to give back the privilege given to Nulandt, subsequently, the bank couldn't return to the privileges lost in 11/23 June 1858. This way, the National Bank of Moldavia became from a privileged institution, to "establishment private" credit institution, after long negotiations, through a royal decree, confirming its new status, in 1861²² under the name of "the bank of Moldavia", lasting until 1877, when its owners decided to liquidate its assets. One can observe that the national bank of Moldavia gave loans in total of 633776 galbeni to 47 debtors, of which the Sturdza family obtained 120.000 galbeni, followed by grand boyards, such as Rosetti-Roznoveanu, Ghica, Mavrocordat, Catargiu, Mavrogheni, and Cantacuzino among the mortgage owners being Alexandru Ioan Cuza with and m. Kogalniceanu with 1000 galbeni, and as a chirografar debtor. At an active of 970108 galbeni, this bank's passive was of 1135446 galbeni. From its transformation to its voluntary disappearance in 1877, the bank of Moldavia steadily decreased its operations, having at its core, recovering the loans it gave.²³ Aside the institutions mentioned and the authorized bankers, there were also the bailiff whose speciality was currency exchange, due to the lack of a

¹⁸ Victor Slăvescu, *Viața și opera economistului Nicolae Șuțu, 1798-1871*, București, 1941, p. 470-475; G. Zane, *politica economică a Principatelor în epoca Unirii și capitalului străin*, în „Studii”, XII (1959), nr. 1, p. 223-262.

¹⁹ Buletinul Oficial al Moldovei din 17 aprilie 1858, p. 121.

²⁰ Ibidem, 15 iunie 1858, p. 207.

²¹ Ibidem, Aduș la nr. 91 din 13 noiembrie 1858, p. 230

²² Monitorul oficial al Moldovei, 21 ianuarie 1861, p. 353-355.

²³ C.I. Brătianu, *Istoria politicii noastre monetare a Bancii Naționale*, I, 2, București, 1932, p. 140-147

national currency in 1831 there were 62 bailif and 7 bankers, for that 1760 only 16 bailif remained and id bankers. The 2 bailif made snall credit transactions, their usual clientele being the small merchants and artisans from the slums, the loans they gave never exceeding 100 galbeni. There were also private individuals, public utilities institutions and even court houses who have made credit operations in this period . The grand boyard loaned thousands of galbeni, but the biggest credit business was made by the jew , Josef goldental, remembered in the documents as a nerchant, to whom other aledgedly foreigners came, and whom loaned large sums to the local debtors.. Also wealthy medies loaned, but eve these appear mostly with foreien names, such as Adalbert Rainer Dr. Teofil Gluck. Also to be remembered , clerics sus as: highclergyman Anania , highclergyman Macarie , then the abbot of “trei Ierarhi” monastery in Iasi, senior economic advisor Vasile Dioghenide, sister Elisabeta Cazimir, archbishop Sofronie Miculescu, the protestant reverend Franche, the evanghelic churc in Iasi, issued loans to merchants, estate bailiffs boyards and even to the needy which twey then executed with all the harshness of the law when they didn't or coucon't return the money in time.

Even the ruler, Grigore Ghica was indebted to the brothers Grigore and Leon Cantacuzino with 10.000 galbeni, the loan being backed-up by the Hangu estate from Neamt²⁴ county or to Costachi Moruz with 4000 carboave²⁵ . Even the ruler Alexandru Ioan Cuza gave an annual interest of 5% to the indebted sun of 6000 galbeni to Alecu Jora²⁶. The Sf.Spiridon monasteryof Iasi loaned the Costache Sturdza (logofat) in 1850, with 40.000 galbeni, and in the monastery's buget of 1859 of the debtors reach the sun of 731492 lei²⁷ . Because the courhouses deposits were suns originating from orphan funds, from the dottery of merried women, from bankrupcyes etc., in order to remain sterile, the court houses placed them into mortgage loans, therefore autting important sums in circulation. These were the institutions and the individuals who made credit operations in Moldavia in the middle of the XIX century, and in the yars of the principality, on the basis of the legislation which authorized and controlled these financial affairs.²⁸

The union of Moldavia and Valahia was to put the cornerstones of the modern state of Romania, also under the aspect of taz and commercial legislation, so much so a new beginning of the judicial regine of credit operations. The astablishement of the house of economies and consemnations as a state owned bank, with a warrantz for its deposits, would further consolidate the safety of its deposers economies, and banking discipline would follow the blueprint of the european nations with tradition and banking stabilitz.

²⁴ Buletin official al Moldovei, 10 februarie 1850,p.58.

²⁵ Idem , 7 iunie 1851,p.179

²⁶ Monitorul official Moldovei,7 martie 1861,p.499

²⁷ Idem, Adaos la nr.67 din 20 august 1859,p.206.

²⁸ Vezi si Dezvoltarea economica a Moldovei, p. 383-398.