

## GRIGORE ALEXANDRU GHICA AND THE NATIONAL BANK OF MOLDAVIA

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**Rezumat:** În cursul secolului al nouăsprezecelea, necesitatea creării unei bănci a Moldovei a reprezentat un scop esențial în dezvoltarea și modernizarea principatului, ca și în stoparea haosului financiar generat de lipsa creditului, care, la rândul ei, determina ruina progresivă a categoriei sociale a proprietarilor. Folosind o metodă analitică bazată pe o abordare diacronică și pe o varietate de surse, am încercat să prezentăm concis ideile și acțiunile vizând această problemă din partea lui Grigore Alexandru Ghica, atât înainte, cât și după numirea sa ca domnitor.

**Abstract:** During the nineteenth century, the need for the creation of a Bank of Moldavia signified a major goal in the development and the modernization of the principality, as well as in putting an end to the financial chaos generated by the lack of currency, which in turn led to the progressive ruin of the landowners' class. Using an analytical method based on a diachronic approach and on a variety of sources, we attempted to concisely describe Grigore Alexandru Ghica's ideas and actions related to this problem, both before and after his nomination as Hospodar.

**Résumé:** Le long du XIX-ème siècle, la nécessité de la création d'une banque de la Moldavie a représenté un but essentiel dans le développement et la modernisation de la principauté, mais aussi dans la finalisation du chaos généré par le manque du crédit, qui, à son tour, déterminait la ruine progressive de la catégorie sociale des propriétaires. Tout en utilisant une méthode analytique basée sur un abord diachronique et sur une variété de sources, on a essayé à présenter de manière concise les idées et les actions visant ce problème de la part de Grigore Alexandru Ghica, avant, mais aussi après sa nomination comme prince régnant.

**Keywords:** Bank, loan, diplomacy, Russia, Prussia, Nulandt, Austria.

At the beginning of the nineteenth century, the adverse effects of the Phanariot rule of the Principalities became increasingly present in the economy of these provinces, leading to multiple memos being directed to European powers. Generally written by anti-Ottoman and anti-Phanariot boyars, these texts often included the diminution of the tribute due to the Porte and the elimination of the Ottoman commercial monopoly among their themes. The fact that some of these boyars were

involved in commercial enterprises, while others looked for ways of improving their means of income was, therefore, illustrative for their motivations<sup>1</sup>.

On the other hand, the period leading to 1821 saw the rapid development of manufactures and commerce in Moldavia and Wallachia. This, in turn, imposed the necessity of a more coherent and stable financial organization, in order to safeguard and further the modernization process<sup>2</sup>. Also, this need was accentuated by the appalling situation resulting from the usurers' economical practices. Apart from benefitting from the multitude of foreign coins on the market (the „leu” being a fictive currency), by selling them at much higher prices, the usurers frequently borrowed sums of money with interest rates as high as 24%, sometimes even more. In the countryside, the payment was made mostly in products or labour, which came to equal up to 300% the value of the initial loan<sup>3</sup>.

Taking into account these realities, it can be ascertained that the events of 1821 contributed dramatically to the impulse towards institutional development. The eagerness with which the Romanians aspired to be a part of Europe<sup>4</sup> was demonstrated by the various projects calling for reform and modernization.

Although it had positive consequences, the financial context which followed the year 1821 came with its own set of problems. The biggest was the increase in the usurers' damaging influence, as they began to undertake new types of activities: payments abroad, deposits, loans granted to treasuries and individuals either on guarantees or on mortgages, mining and import-export operations. Between 1830 and 1860, Moldavia had 21 financial establishments located in Galați and one (the Jew Michel Daniel's) in Iași. Almost all of these belonged to foreigners who benefitted from consular jurisdiction, receiving and borrowing money at low interest rates from abroad; as we have seen, the sums were afterwards lent in the Principalities at extremely high interest rates. Thus, these establishments were almost not at all trusted by locals<sup>5</sup>.

Originating from Occidental Europe, the new impulses towards political, economical and social development found a strong and favourable echo in Moldavia and Wallachia, which was amplified by the signing of the Adrianople treaty in 1829. The stipulations of this document, essential element in the historical context which Apostol Stan defined as “the detachment from the Ottoman market and the attachment to Europe”<sup>6</sup>, were followed by the imposition of the Organic Rule, which had the benefit of organizing the different areas of life in the two countries, in a more efficient and coherent fashion.

<sup>1</sup> Constantin Velichi, *România și renașterea bulgară*, Editura Științifică și Enciclopedică, București, 1980, pp. 61-62.

<sup>2</sup> Alexandru Pintea, Gheorghe Ruscanu, *Băncile în economia românească*, Editura Economică, București, 1995, p. 17.

<sup>3</sup> *Ibidem*, pp. 13-15.

<sup>4</sup> Constantin Velichi, *op. cit.*, p. 62.

<sup>5</sup> Alexandru Pintea, Gheorghe Ruscanu, *op. cit.*, pp. 20-21.

<sup>6</sup> Apostol Stan, *Independența României. Detașarea de piața otomană și ratașarea de Europa (1774-1875)*, Editura Albatros, București, 1998.

The war of 1828-1829 and the subsequent signing of the Adrianople treaty signified the end of the Ottoman economic and commercial monopoly, strengthening in turn the tsar's influence in the Principalities. Another important consequence was the opening created for other foreign powers, such as the British Empire, which found a new market for its manufactured products<sup>7</sup>, and France, which entertained political interests as well, taking into account its immense cultural influence. By 1850, the trade activity between these two powers and the Porte had grown significantly<sup>8</sup>. It is noteworthy, however, that these new ties also played a major role in hindering the development of local commerce in Moldavia and Wallachia, a negative evolution brought along by the advantages contained in the European powers' treaties with the Porte and by the apparition of foreign traders<sup>9</sup>. On the other hand, the influx of European currency into the Ottoman provinces, made possible through foreign industrial or commercial companies<sup>10</sup>, can be viewed as a positive consequence. Another one was the growth of Moldavia's commerce: between 1843 and 1847, its exports rose from 26 million lei to 52 million lei<sup>11</sup>.

Along with Wallachia, the principality was located in a key area for the promotion of economical interests. Following the treaty mentioned above, the two countries' emergence as new markets for goods exchange and transportation implied the necessity of a more coherent systematization of their administrative and economic branches. Based on this viewpoint, the existence of a bank would have certainly created a more stable financial climate, assuring an increased safety of economic and commercial transactions. It is also to be noted that the economic activities before 1850 were already making extensive use of modern banking tools such as bills of exchange, checks, letters of credit and transfer documents<sup>12</sup>.

A major and recurrent problem of the period, with which the neighbouring provinces were also struggling, was the lack of hard currency. Therefore, it was only natural that the efforts toward creating a bank become a common tendency in the area. In Bucovina, a first attempt was made in 1841<sup>13</sup>. Around the same time, between 1841 and 1842, Transylvania's Diet debated the formation of a special commission, which was to draft a project to strengthen the circulation of currency. It was, however, only ten years later that Carol Schwarzenberg, the province's new governor, ordered the creation of such a commission at Sibiu, with the task of conceiving the project of a bank<sup>14</sup>. It is also to be noted that Transylvania's situation was somewhat better, given the existence of various financial establishments, albeit the fact they belonged

<sup>7</sup> Alexandru Pinte, Gheorghii Ruscanu, *op. cit.*, p. 18.

<sup>8</sup> Constantin Velichi, *op. cit.*, p. 187.

<sup>9</sup> Alexandru Pinte, Gheorghii Ruscanu, *op. cit.*, p. 16.

<sup>10</sup> Constantin Velichi, *op. cit.*, p. 188.

<sup>11</sup> Alexandru Pinte, Gheorghii Ruscanu, *op. cit.*, p. 19.

<sup>12</sup> *Ibidem*, p. 22.

<sup>13</sup> Ioan Cocuz, Dumitru Cucu, *Băncile și creditul funciar românesc în Bucovina (1840-1918)*, Grupul Editorial Mușatinii România Viitoare, Suceava, 1999, p. 27.

<sup>14</sup> Eugeniu Merce, *Băncile din Transilvania și rolul lor (1848-1918)*, Editura Burg, Sibiu, 2003, pp. 11-12.

to Austrians, Magyars, Saxons and Swabians, who generally refused to collaborate with Romanians<sup>15</sup>.

In Moldavia, one of the first to recognize the necessity for the creation of a bank was Nicolae Suțu, who drafted two projects for such establishments in 1834. While the first proposed foreign aid in the foundation of a damping bank, which would grant loans on a term of five years, the second projected the creation of a commercial bank in Galați, which would deal in financial operations such as deposits, discounts, savings and circulation<sup>16</sup>.

Besides Nicolae Suțu, it can be ascertained that Grigore Alexandru Ghica, future Prince of Moldavia between 1849 and 1856, was also among the high-ranking personalities who shared the idea of a necessity of a bank. Son of Alecu Ghica, one of the most respected Moldavian boyars, he was appointed in several public positions in the administrations of the princes Ioniță Sandu Sturdza (1822-1828) and especially Mihail Sturdza (1834-1849), his uncle. An important observation related to our subject is that the most important office Grigore Alexandru Ghica held before his appointment as ruler of Moldavia was that of Finance minister.

Nominated in this function on July 18, 1843<sup>17</sup>, the hetman quickly became more and more involved and interested in the principality's economic and financial issues, attracting not only the General Assembly's praise<sup>18</sup>, but also the admiration of Jacob Dașcov, the Russian consul in Iași<sup>19</sup>. If the first congratulated him on the precise and thorough management of the financial issues which emerged in 1843-1844<sup>20</sup>, the second approved of the honest manner in which Grigore Alexandru Ghica presented the difficulties brought along by Mihail Sturdza's fiscal policy<sup>21</sup>.

Even so, some of his decisions and actions, mostly related to Moldavia's urban development, were not unanimously applauded. In December 1843, he took a negative stance in regard to the complaints made by the furriers of Huși, according to which the Jews were charging them retail prices<sup>22</sup>. Again, in March 1844 he rejected the request formulated by a deputy of the General Assembly, that all procedures

<sup>15</sup> *Ibidem*, p. 54.

<sup>16</sup> Alexandru Pinteau, Gheorghe Ruscanu, *op. cit.*, pp. 23-24.

<sup>17</sup> Direcția Arhivelor Naționale Istorice Centrale București, fond "Grigore Al. Ghica – Moldova, 1833-1857; 1860", document 12.

<sup>18</sup> *Ibidem*, document 13; see also Anastasie Iordache, *Principii Ghica. O familie domnitoare în istoria României*, București, Editura Albatros, 1991, p. 180.

<sup>19</sup> Ioan C. Filitti, *Domniile Române sub Regulamentul Organic 1834-1848*, București, Librăria Socec & Comp. și C. Sfetea, 1915, pp. 527-528.

<sup>20</sup> Direcția Arhivelor Naționale Istorice Centrale București, fond "Grigore Al. Ghica – Moldova, 1833-1857; 1860", document 14.

<sup>21</sup> Ioan C. Filitti, *op. cit.*, p. 528: "He (Grigore Alexandru Ghica) did not hesitate to tell him (Mihail Sturdza) that [...] the financial situation leaves much to be desired. The cash reserve had a budget deficit of 18.000-19.000 ducats, taken by the Prince for the repair of the princely court. The workers at Socola are not paid".

<sup>22</sup> Eugen Pavlescu, *Economia breslelor în Moldova*, București, Fundația "Regele Carol I", 1939, p. 461.

related to some “usurpations made [by Mihail Sturdza, our note] through fictive exchanges”, which had caused annual losses of 8000 ducats to the Church of Moldavia, be annulled<sup>23</sup>.

It is our opinion that Grigore Alexandru Ghica’s gradual contact with the European ideas and principles of progress played a key role in his increasing commitment on the path of profound structural reforms. After leaving the Finance Department, the future Prince of Moldavia became more and more concerned with the adoption of modern measures, which would greatly contribute to the development of the principality. On January 20, 1846, he was one of the boyars who issued a request to grant a “privilege for the creation of a railroad track between Mihăileni and Galați”<sup>24</sup>. This group of boyars, whose main area of interest was “goods exchange”, argued for the utility of building such an infrastructure, mentioning that steam power was “the principle of happiness in great countries and the condition for existence of the lesser ones as far as industry and commerce are concerned”<sup>25</sup>.

From the perspective of our subject, the moment in which Grigore Alexandru Ghica publicly expressed himself in favour of the establishment of a bank of Moldavia came on July 9, 1847. Taking advantage of Leipzig-born Prussian merchant Karl Reinecke’s presence in Iași, he subscribed, along several other boyars, to the request of creating a discount and rural credit bank<sup>26</sup>; the loans could be granted either on collaterals, or through mortgages<sup>27</sup>. The new institution, which would be called “Institution allemande particulière de crédit”, had as its main goal to eliminate the necessity of usury, a practice used by most landowners. The essential measure for achieving this consisted of the offer of low-interest loans, with a rate of minimum 2% less than the legal rate, which was 10%<sup>28</sup>.

The act in question, in fact a mandate, stipulated that the payment of debts would be facilitated by a liquidation system, based on the creation of an absorption house. Other operations than those related to loans and funds transfer were forbidden; the only exception, which concerned the domain of agriculture, was the possibility to distrain the estate of a debtor, in case of loan payment-related difficulties. The boyars who signed the mandate “pledged to contribute to the constitution of the enterprise’s assets, but without fixing the exact sum of each one’s contribution”; moreover, they

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<sup>23</sup> Duclos to Guizot, Iași, March 15, 1844, in Eudoxiu Hurmuzachi, *Documente privitoare la istoria românilor*, XVII, *Correspondență diplomatică și rapoarte consulare franceze (1825-1846)*, Nerva Hodoș (ed.), București, 1913, p. 1006.

<sup>24</sup> *Dezvoltarea economiei Moldovei între anii 1848-1864. Contribuții*, coord. Valerian Popovici, București, Editura Academiei, 1963, p. 467.

<sup>25</sup> *Ibidem*, p. 465.

<sup>26</sup> Ioan C. Filitti, *op. cit.*, p. 597.

<sup>27</sup> G. Zane, *Cea dintâi Bancă Națională a Moldovei*, in “Arhiva”, year XXXIII, no. 1, 1926, p. 110.

<sup>28</sup> Ioan C. Filitti, *op. cit.*, p. 597.

“reserved the right to participate in the draw-up of the statutes and to be represented by the bank’s management and control bodies”<sup>29</sup>.

Although, from the perspective of modernizing Moldavia’s institutions and stimulating economic life, this initiative was welcome, there were major deficiencies: not taking into account the vagueness of the new institution’s form (“commercial firm”), the mandate did not establish the sum of each contributor to the formation of the bank’s monetary assets and it did not request collaterals from the representative; furthermore, the manner in which the bank would be created was not elaborated, as was also the case with the exact amount of its assets. Another extremely important fact, considered from a political point of view, was that the signers had overlooked the possibility that the bank be placed under the right of extraterritoriality, which would not have only harmed Moldavia’s dignity, but would have also “established the dangerous precedent that the Moldavians’ lawsuits with the bank would be tried in Iași by the consul of Prussia himself or by his dragoman [vice-consul]”<sup>30</sup>.

All these shortcomings, which clearly demonstrated a lack of experience in this kind of economic initiatives, place under question Grigore Alexandru Ghica’s capabilities in the field, taking into account his previous appointment as Mihail Sturdza’s Finance minister. From a speculative standpoint, we believe that such type of economic endeavour, new for that period, could not exclude principal difficulties related to the way of practically achieving it. The ex-Finance minister’s support to a faulty project demonstrated this.

He was no exception. In 1845, the Wallachian gazette „Curierul Românesc” had published the project of a bank drafted by Costache Bălcescu, but the lack of experience from the part of the forming bourgeoisie prevented its accomplishment. Gheorghe Bibescu, Wallachia’s prince, had also attempted to establish a bank in 1847. We believe that his failure could be linked with a similar situation in 1832, when Russian interests stood in the way of an initiative to create a national bank with Romanian capital in Wallachia. The same could be presumed in the case of the English traders who represented the firm Bell & Anderson and who had intended to open a bank in Bucharest between 1837 and 1838<sup>31</sup>.

But even though Moldavian prince Mihail Sturdza, along with the majority of the boyars, favoured the project of establishing a bank, the events of the year 1848 prevented the accomplishment of the enterprise<sup>32</sup>. However, its importance continued to be acknowledged, the demands of Moldavian revolutionaries including the creation of a national bank, a commerce bank and a savings house<sup>33</sup>. By that time, the boyars had already realized the key role played by foreign capital, as the conditions in both Principalities did not favour the accumulation of the capital needed from within<sup>34</sup>.

<sup>29</sup> Stela Mărieș, *Proiecte privind relațiile economice dintre Prusia și Principatele Române la mijlocul secolului XIX*, in AIIAX, II, tome XXIV, Iași, 1987, p. 404.

<sup>30</sup> *Ibidem*, pp. 404-405.

<sup>31</sup> Alexandru Pintea, Gheorghe Ruscanu, *op. cit.*, p. 23.

<sup>32</sup> G. Zane, *op. cit.*, p. 110.

<sup>33</sup> Alexandru Pintea, Gheorghe Ruscanu, *op. cit.*, p. 25.

<sup>34</sup> *Ibidem*, p. 27.

Named as the new ruler of the principality in June 1849, Grigore Alexandru Ghica made considerable efforts to fulfil his own ample reformist platform. Thus, the foundation of the bank of Moldavia emerged inevitably, once again, as an objective in the new prince's agenda, the year 1850 marking the beginning of discussions with Prussian bankers Friedrich Ludwig Nulandt and Friedrich Gustav Oehlschlaeger, whose acquaintance was intermediated by Karl Reinecke. We do not entirely dismiss the possibility that Grigore Alexandru Ghica may have contacted Reinecke to propose the revival of the project, and that Reinecke had instead directed him, for unknown reasons, to the two bankers. What is certain is that on April 23, 1850, they announced their intention to come to Iași, a visit which occurred only in October of that year. The main reason was the necessity of obtaining preliminary assurances in a manner favourable to the creation of the bank, both from German financial circles and from Moldavia's prince<sup>35</sup>.

In a letter to Grigore Alexandru Ghica, dated October 10, 1850, Wallachia's prince, Barbu Știrbei, announced the conclusion of a deal of his government with the two bankers and also informed his counterpart that they were preparing to pay him a visit as well, accompanied by Meusebach, Prussia's general consul in the Principalities. Referring to the particularities of Wallachia's establishment, Barbu Știrbei mentioned that it would deal neither with loans on neither mortgage nor insurances, but it would simply be a discount bank. The maximal interest rate was 8% per year and the government had the right to borrow up to a sixth from the bank's total assets, with an interest rate of 6%. The issuance of bills was to equal the assets in cash and in case that, after a three-year period, the bank would strengthen its position and extend its operations, the number of issued bills could double.

The advantage given to the bank was of 21 years, with the possibility to modify some of the clauses after an eighteen-month period of activity; the government had the right to appoint a transactions supervisor to the establishment's managers. With the exception of the dividends generated by the profits, from which a sum necessary for the creation of a reserve fund was to be retained, the value of the bank's shares was of "150 conventional Florins", with an interest rate of 5%<sup>36</sup>.

The two bankers' visit went well, Nulandt being presented to Grigore Alexandru Ghica as extremely able in banking operations, which, together with the enthusiasm of having a bank of Moldavia, prompted the Prince to hasten the arrangements for creating the much-desired establishment<sup>37</sup>: on October 22, 1850, a victorious Meusebach was leaving Iași<sup>38</sup>. Extending the scope of possibilities brought on by a successful resolution of the project, baron Sina, a member of the Prussian

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<sup>35</sup> Stela Mărieș, *op. cit.*, p. 405.

<sup>36</sup> Barbu Știrbei to Grigore Alexandru Ghica, București, October 10, 1850, in Nicolae Iorga, *Corespondența lui Știrbei-Vodă*, I, *Corespondența politică*, București, Institutul de Arte Grafice și Editură Minerva, 1904, pp. 36-37.

<sup>37</sup> Stela Mărieș, *op. cit.*, p. 405.

<sup>38</sup> "Gazeta de Moldavia", no. 80, October 23, 1850.

group, was ready to suggest the creation of branch banks in Galați and Brăila, an idea whose economic importance for the two Principalities was easily to be inferred<sup>39</sup>.

Referring to Nulandt and Oelschlaeger's visit, Samuel Gardner, the English consul in Iași mentioned that it had coincided with that of Eisenbach, Austria's general consul, and that a project "under the auspices, I presume, of the three governments" could have been seen as a possibility. Expressing his own opinions on the creation of a bank of Moldavia, Samuel Gardner considered that such an act would have inspired more confidence, prompting "needy landowners" to take the establishment by assault, being attracted by the perspective of obtaining much lower interest rates compared to those of the loans they had contracted so far<sup>40</sup>.

Despite the successful resolution of the discussions concerning the bank of Moldavia, the main obstacle to its practical achievement was the refusal of Russia and the Porte, which had been informed about the situation towards the end of 1850. Russia's attitude was, by far, the most relevant: its objection aimed at the foreign assets which would have entered the Principalities, opening the way to the establishment of Prussia's economical and political influence in the area<sup>41</sup>, taking into account that the bank would have been placed under Prussian consular jurisdiction<sup>42</sup>. In a letter addressed to Grigore Alexandru Ghica on November 28, the Russian chancellor Nesselrode argued that the conditions of foreign speculators would have made the establishment of a bank of Moldavia impossible<sup>43</sup>. On the other hand, there were also difficulties coming from local bankers, most of whom were Russian subjects, and whose financial losses would have been obvious and unavoidable. Thus Russia's protectorate did not allow any harm of its interests in the area, reason which prompted the consul in Iași to act immediately<sup>44</sup>.

According to other opinions, the Russian refusal was perceived more as drastic and less as motivated. A letter sent by the French consulate in Iași at the beginning of 1851 mentioned that the Prince had written to baron Meusebach about "difficulties which he could not anticipate" and which "forced him to state, with regret, that he found himself in the position to momentarily give up" the planned enterprise. The same text referred to the letter the Prussian consul in Iași had sent Meusebach, in which the first talked about his meeting with Grigore Alexandru Ghica, who had told him that the problems stemmed from Russia which had stated that the creation of a bank under

<sup>39</sup> Constantin Bușe, *Comerțul exterior prin Galați sub regimul de port franc (1837-1883)*, București, Editura Academiei, 1976, p. 84.

<sup>40</sup> Gardner to Palmerston, Iași, July 12, 1850, in Arhivele Naționale, filiala Iași, fond microfilme Anglia, reel 23, file 828, pages 178-179.

<sup>41</sup> Stela Mărieș, *op. cit.*, p. 405.

<sup>42</sup> *Memoriile Principelui Nicolae Suțu, mare logofăt al Moldovei 1798-1871*, translation and notes by Georgeta Penelea-Filitti, București, Editura Fundației Culturale Române, 1997, p. 205, note 1.

<sup>43</sup> Anastasie Iordache, *op. cit.*, pp. 187-188.

<sup>44</sup> G. Zane, *op. cit.*, p. 114.

Prussia's auspices was simply unconceivable<sup>45</sup>. It is our belief that another reason that generated the Russian cabinet's refusal could have been the wish to remind Austria of the help that the tsar had granted to it in 1848; in the context of Vienna's rivalry with Berlin, Sankt Petersburg's goodwill towards the former was once again demonstrated. Therefore, Austria's debt of gratitude towards Russia was maintained.

Russian chancellor Nesselrode's letter to Halcinski, the general consul in the Principalities, was revealing for the attitude adopted by the Sankt Petersburg cabinet in this matter. The author expressed his surprise towards the apparition of „three individuals arrived at Bucharest from the bottom of Germany, without any other titles, nor financial credit, than the patronage of their nation's Consul”, who „offered to establish so-called national loan banks in the Principalities”. Having examined the proposals advanced by Prussia's representatives, Nesselrode believed that they „tend to nothing less than to overthrow the whole administrative and judicial order established in these provinces” and that Russia's duty was to prevent the transformation of the Principalities in a „exploiting field for some foreign speculators, who under the title of bankers [...] would flood the country with worthless or insufficiently guaranteed paper currency”<sup>46</sup>. In any case, the newspaper „Journal de Constantinople” expressed the hope for an eventual success of Grigore Alexandru Ghica's attempt at establishing a bank of Moldavia, the creation of which would largely boost agricultural development<sup>47</sup>.

The diplomatic interests that stood in the way of the establishment of a bank amplified, of course, the difficult domestic financial situation. Referring to the inability of any public collection of funds, the poet Vasile Alecsandri wrote: “in Moldavia [...] except two or three capitalists who practice, more or less, usury, the others are entirely deprived of money”. The precarious state of Moldavia's business environment brought negative consequences on the majority of the landowners and the denomination of „capitalist” referred mostly to persons whose creditors refused or were unable to repay the money they had borrowed<sup>48</sup>.

Vasile Alecsandri's comments fully proved their validity. In 1851, the scarcity of credit in the principality gave rise to speculations concerning a genuine crisis in this domain. Unable to sell the products of the lands they held, many boyars were forced to rely on massive and consistent loans from various bankers or moneylenders, often incurred with interests' rates that rose up to 20%. This worrisome trend showed the increasing threats to the economy, caused by the lack of cash. In turn, these

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<sup>45</sup> Hory to La Hitte, Iași, January 31, 1851, in Arhivele Naționale, filiala Iași, fond microfilme Franța, reel 3, file 9, pages 52-53.

<sup>46</sup> Nesselrode to Halcinski, Sankt Petersburg, November 21, 1850, in Arhivele Naționale, filiala Iași, fond microfilme Rusia, reel 68, file 591, pages 12-13.

<sup>47</sup> “Journal de Constantinople”, June 2, 1851, in Arhivele Naționale, filiala Iași, fond microfilme Turcia, reel 20, page 71.

<sup>48</sup> Vasile Alecsandri to Ion Ghica, Iași, October 29, 1850, in Vasile Alecsandri, *Opere*, VIII, *Correspondență 1834-1860*, Marta Anineanu (ed.), Editura Minerva, București, 1981, p. 167.

threats started to manifest: also in 1851, the failure of debt payment generated the selling of approximately 1400 lands, a hitherto unprecedented situation<sup>49</sup>.

The assessments contained in an article published in the „Gazeta de Moldavia” newspaper are equally relevant in the formation of a broader picture of the situation. Drawing attention on the interest shown by European newspapers towards Moldavia’s economic life, the author observed that the amounts paid „at the factories of the West for the products they provide us” amounted to more than the actual prices of these products. The increase of these values was due especially to the passage of money through the hands of usurers, who seized the opportunity to gain more.

From this perspective, the recommendation of foreign newspapers was to create faster and more efficient ways of sending money to merchants found „in different places of the Principality, to the edge”, ways which would have helped to facilitate the transmission of such amounts abroad, without any kind of intermediation. Accepting the validity of such advice, the author noted, nonetheless: “we would have liked better to find some way to cease the drainage of money that soil workers earn with their own sweat, but in our position that method is a problem which remains to be solved”<sup>50</sup>.

We must also draw attention to the fact that both Grigore Alexandru Ghica and Barbu Știrbei had tried to create banks in their countries also in order to pay the debt due for the Russian occupation. However, in Wallachia’s case, the proposals of the two Prussian bankers had not met the complete approval of its government<sup>51</sup>, which leads us to believe that Barbu Știrbei was far more cautious than his Moldavian colleague.

If the contextual diplomatic interests who prevented the creation of the bank foreseeable amplified the already difficult financial situation of Moldavia, they did not succeed in making Grigore Alexandru Ghica give up the project for good. In a letter addressed to Nesselrode on May 1, 1852, the prince referred to the financial issues generated by the absence of a bank, also sending him a project for the creation of one<sup>52</sup>. We cannot know for sure to what extent Russia’s attitude towards the problem had modified, as the answer received by Grigore Alexandru Ghica was not available to us. However, as the Prince’s next actions showed, a certain degree of flexibility of the Russian cabinet can be assumed.

Formulating a series of observations regarding the initiative, Giers, the Russian consul in Iași, wrote about the assurance that Grigore Alexandru Ghica had given him that nothing would have been done without Russia’s agreement. However, given the pressures forced upon him by the boyars, he had agreed to conceive the bank’s project. Although Petre Mavrogheni had been designed as the establishment’s operator and legal representative, whatever sympathies he held with the Russians diminished when the cabinet in Sankt Petersburg learned of his preference for appealing at foreign

<sup>49</sup> Constantin Bușe, *op. cit.*, pp. 79-80.

<sup>50</sup> „Gazeta de Moldavia”, no. 60, August 14, 1850.

<sup>51</sup> Alexandru Pinteau, Gheorghe Ruscanu, *op. cit.*, p. 27.

<sup>52</sup> Anastasie Iordache, *op. cit.*, p. 190.

capital. The situation did not, however, prevent Giers to recognize the essential role of such a capital in the attempt of creating a bank. Mentioning Grigore Alexandru Ghica's hope that the share of domestic capital would gradually reduce that of the foreign one, the Russian consul in Iași informed that he had told the Prince of the necessity that Moldavians could count among shareholders. The discussion between the two had ended, according to Giers, by the agreement that Grigore Alexandru Ghica would comply to any alterations brought to the project by Russia<sup>53</sup>.

One action necessary for justifying the creation of a bank was the granting, on September 3, 1852, of a privilege for the creation of a thick cloth factory. By encouraging Moldavia's emerging industry, Grigore Alexandru Ghica had, therefore, reasons to formulate demands for the establishment of a bank, which would help to accelerate the process. Mihail Kogălniceanu, the petitioner, had asked for an eighteen-year exclusive privilege. Connecting the possibility of a favourable answer to the benefits of this privilege, he had also expressed the wish to become the sole provider of thick cloth for Moldavia's militia, gendarmerie, fire corps and frontier guards. His demand was backed by the offer of a 5-10% discount offer for the price of the cloth. However, through the certificate released on October 23, Grigore Alexandru Ghica granted the privilege only for a period of twelve years, with the obligation that the factory start to function within no more than two years from the date of the conceding. Mihail Kogălniceanu's position was further aggravated by the fact that the certificate granted by the prince "allowed the free import of thick cloth"<sup>54</sup>. Grigore Alexandru Ghica did not consent to the request for the exclusive supplying of thick cloth to the militia, either<sup>55</sup>.

On September 5, 1852, the General Council of Moldavia received for analysis and approval the Princely Act no. 82, which comprised the decision to create a bank. The establishment of such an institution was perceived as "one of the essential elements for increasing the industry in the country and for facilitating the use of the locals' private assets". Stipulating that the bank be endowed with the capacity to contract "public loans", to which foreign assets could also participate, Grigore Alexandru Ghica ordered that the analysis of the project to be made in collaboration with a special commission, appointed by the Divan<sup>56</sup>. Nicolae Suțu, Vasile Rosetti and Petre Mavrogheni were to be nominated as its members<sup>57</sup>.

<sup>53</sup> Giers to Seniavin, Iași, May 19, 1852, in Arhivele Naționale, filiala Iași, fond microfilme Rusia, reel 67, file 914/II, pages 51-52.

<sup>54</sup> *Dezvoltarea economiei Moldovei...*, p. 233; see also Gheorghe Ghibănescu, *Surete și izvoade (Documente Kogălnicenești între 1529-1878)*, XXV, Iași, Institutul de Arte Grafice "Presa Bună", 1932, pp. 239-240.

<sup>55</sup> Gh. Georgescu-Buzău, *Aspecte ale dezvoltării manufacturilor în Țara Românească și Moldova în perioada premergătoare Unirii celor două țări (1829-1859)*, in *Studii privind Unirea Principatelor*, coord. Andrei Oțetea, Nichita Adăniloiaie, Dan Berindei ș. a., București, Editura Academiei, 1960, p. 101.

<sup>56</sup> *Analele parlamentare ale României*, tome XVII, part II, București, Imprimeria Statului, 1914, p. 186; see also G. Zane, *op. cit.*, pp. 114-115.

<sup>57</sup> "Gazeta de Moldavia", no. 68, September 4, 1852.

Taking into account the most important stipulations, as well as the scope of the aspects to be dealt with and approved, we believe that the above-mentioned project was also at the origin of the one granted in 1856, to which we will refer later on. The project's introduction underlined the importance of a bank in a multitude of economic processes, such as the reduction of interests, the acceleration of industrial development, the revival of agriculture and commerce and the increase of land revenues<sup>58</sup>.

The first articles of the project dealt with the deposited collaterals, which could not be returned before the bank was "fully compensated of its loan, with assets, interests and expenses". Eight days after the expiration of the loan payment deadline, the collaterals could be sold through public auction, but the project attempted to prevent the probability of such a situation by stipulating that the bank receive collaterals only from reliable persons, "without suspicion by their social function". If the possibility of a lawsuit between the bank and one of its debtors arose, the project decided the appeal to referees, one representing each side. The two could elect a third, as a super-referee, but he could also be appointed by the Prince. The decisions of the three referees were final and could not be overruled<sup>59</sup>.

As for immobile properties which were "mortgaged at the bank for a loan with damping, or of any other kind", the quarterly deadline of payment was fixed at six months; in case the sum was not paid after fifteen days at the most, the bank had the right to request "the return of the borrowed assets", the referees deciding what measures should be taken and the Appeal Court putting them into practice. From that moment on, the debtor had another thirteen days to comply, after which, in case he did not, the rural paper would publish the decision of auctioning the mortgaged property<sup>60</sup>.

In the matter of the institution's foundation, the project stipulated that its assets would consist of shares, that its name would be "Bank of Moldavia" and that its headquarters were to be in Iași. The share-holders played a key role in electing the administrative board and the managers, the last ones representing their interests "within the settled privileges and limits". The value of a share was fixed at 250 ducats and the starting asset of the new institution was fixed at "a million Austrian-Dutch ducats". In the first two years of operation, the bank could not issue bills which exceeded this value but after this period, it had the possibility to issue "successively and according to its needs up to the double of its basic assets".

The value of the bills started at fifty golden ducats, but a permanent reserve "in cash or in bullions" which equalled a third of the issued bills' value, was compulsory. The bills were excepted from any kind of tax, but the bank was compelled to accept the presence of two government representatives who would protect its rights, overseeing the balance between the value of the reserve and that of the issued bills and being present at "the making of the bank's bills and the storage of the models and

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<sup>58</sup> *Analele parlamentare...*, tome XVII, part II, p. 187.

<sup>59</sup> *Ibidem*, pp. 188-189.

<sup>60</sup> *Ibidem*, p. 190.

printing patterns which were used for this". Also with reference to the bills, the bank had the right to publicly demand the return, within a year, of all those in circulation, so that they could be replaced with new ones. Anyone caught counterfeiting, copying or willingly distributing counterfeit bills was to be tried as „counterfeiter according to the laws of the country”<sup>61</sup>.

The bank's operations were varied, being divided into four distinct categories: exchange, discounts, deposits and loans. The last type of operation could be also made on mortgage; in this case, the loan was conditioned by an annual damping, consisting of a “regular payment of a surplus to the due interest”. For a fifteen-year damping, the surplus rate would amount to 12%; a seventeen-year one would lower the rate to 11% and a twenty-two-year one would lower it to 10%. The use of three-fifths of the bank's assets for granting loans showed the significance of this operation among the rest. By such a loan, the maximum mortgage value could not surpass half the value of the property and the Appeal Court had to certify “that the mortgaged property was free of liabilities and complaints related to dowry”.

Although the government could not forcefully obtain a loan, the 25th provision of the project stipulated that the interest rate for loans granted to the state was to be 6%, instead of the usual 8%. Still, the maximum sum for a loan could not amount to more than 100,000 ducats. As for the branches of the bank, the first official one was to be open in Galați; the government was the only one able to consent to the foundation of other branches. The last provision stipulated that the privilege of the bank extended to a twenty-five-year period. If after six years of operation there would be competitors who would offer more advantageous conditions related to the interest, the option of lowering interest rates at the same proportion was mandatory, in order to face that competition<sup>62</sup>.

Choosing Galați for the first branch of the bank was no mere coincidence. At the time, due to the efforts of modernization which had been initiated since 1849, the city had rapidly developed into an important urban centre and also as Moldavia's main harbour on the Danube. This last reason weighed heavily, the commercial importance of Galați immediately justifying the decision to create a branch bank there. On the other hand, the administration of the Covurlui region had been entrusted to Costache Negri, one of Grigore Alexandru Ghica's close assistants, who would later become a prominent figure during the struggle to achieve the union of the two Principalities.

The resumption of the idea of creating a bank of Moldavia through more efficient measures and, apparently, under more favourable circumstances than in past years, proved Grigore Alexandru Ghica's determination and willingness to drive the principality to an economic level that was as close as possible, if not equal, to that of European states. Unfortunately, the reopening of the Eastern Question, in 1853, would postpone by three years the accomplishment of the project.

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<sup>61</sup> *Ibidem*, pp. 191-192.

<sup>62</sup> *Ibidem*, pp. 192-193.

After the ending of the Crimean War, the talks with Ludwig Friedrich Nulandt were resumed and Grigore Alexandru Ghica's desire was, finally, achieved. Even so, the context in which this was made possible was perhaps more difficult than ever. The presence of Austrian troops in the Principalities, doubled by political pressures for the imposition of an Austrian banker in the matter of the bank, made the Prince's position extremely stressful. However, keeping in mind the imminent expiration of his powers, Grigore Alexandru Ghica decided to ignore the effects that his decisions, taken in Moldavia's best interest, had upon his own perception by foreign states. Taking into account the above-mentioned situation, we believe that it is possible to ascribe a political character to the conflicts concerning the granting of the privilege for the bank.

The decision to grant this privilege to Prussia was officially taken on May 7, 1856, based on the document drafted by the General Council a few days earlier<sup>63</sup>. In comparison with the one drafted in 1852, the project had several modifications, namely of the value of the shares (two hundred thalers), and of the starting assets' value (ten million thalers). The value of the bearer bills was established as starting from forty zwanzigers, with the condition that the bank holds a permanent reserve that equalled at least a third of the issued bills, following that the rest be insured through "bearer cheques, discounted drafts or other paying securities", during a period which could not exceed three months.

Another difference was the naming of a sole government representative, endowed with the same rights as in the 1852 project. But, if the number and the type of operations remained basically the same, a new provision stipulated the bank's right to take part in "any kind of enterprise having as its goal the public benefit"; therefore, the institution could take part in the competition for the granting of enterprises which generated state revenues. Of course, this right was not exclusive and it couldn't affect any privilege that had already been granted. As for mortgage loans, with or without damping, the only rate maintained was that of 10%, which was tied to a sum to be paid in seventeen years, not twenty-two, as the 1852 project stated. The rate in itself consisted of the 7% interest and the 3% damping. However, if a greater damping value was desired, the period also had to go up according to the ratio of the adopted damping. For the mortgage loans with damping, the fifteenth provision stipulated the duty of the bank to allocate a sum of 3,350,000 thalers<sup>64</sup>.

Another modification concerned the sum that the government could borrow from the bank: the maximum sum amounted to 375,000 thalers and the interest rate of 6% was maintained. A new provision stipulated that, should the bank prosper so that its annual benefit (together with the interest) would surpass 10%, instead of the fixed 8%, it had to diminish the interest of all transactions to 7%, with the exception of the discounted drafts, in case European banks did not immediately consent to the reduction; the same provision fixed the tax of mortgage loans at 7%. The final

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<sup>63</sup> *Dezvoltarea economiei Moldovei...*, p. 392; see also Stela Mărieș, *op. cit.*, p. 403 and G. Zane, *op. cit.*, p. 116.

<sup>64</sup> "Gazeta de Moldavia", no. 38, May 14, 1856.

stipulations of the project stated the right of the concessionaire to create an anonymous society through which the privilege would be applied and also the right to compensation for the shareholders if, after the twenty-five-year period, the bank would be shut down<sup>65</sup>.

In face of the accomplished fact<sup>66</sup>, Austria replied, as was to be expected, by an extremely hostile attitude<sup>67</sup> especially that the decision which favoured Prussia, its arch-rival, had been adopted while its own armies were stationed in Moldavia<sup>68</sup>. Therefore, from that moment on, Austria's representatives initiated a bold and aggressive campaign, seeking to nullify the privilege and also to compel the prince to grant it to the Austrian banker Weikersheim, a Jewish Austrian subject, who lived in Vienna and had come to Moldavia to take part in the talks<sup>69</sup>.

We do not wish to insist here on what shortly became a political and diplomatic conflict between Grigore Alexandru Ghica and the Austrian cabinet. The prince's staunch and dignified stance over the privilege is to be noted<sup>70</sup>; however, strongly pressed by Austrian officials<sup>71</sup>, he wrote to Coronini, the supreme commander of the troops in the Principalities, on May 12, 1856, asking him to urge Weikersheim to put forward his conditions as quickly as possible. The haste was caused by Nulandt's imminent departure from Iași, Grigore Alexandru Ghica observing that "my government is morally engaged for five years with his society". Trying to further complicate the Austrian banker's position, the prince added the insufficiency of the resemblance between the two proposals: "his conditions [Weikersheim's, our note] have to be more advantageous, or else the Prussian society has to have the preference, due to its precedents"<sup>72</sup>. A few days later, Weikersheim's insistence for the granting of the privilege was made plain, Grigore Alexandru Ghica writing to Coronini that the Austrian banker had asked him "to deliver him the charter as soon as I had acknowledged his proposals, without even communicating them to the ad hoc council"<sup>73</sup>.

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<sup>65</sup> Idem, no. 43, May 31, 1856.

<sup>66</sup> Anastasie Iordache, *Principatele Române în epoca modernă*, II, București, Editura Albatros, p. 289.

<sup>67</sup> *L'Autriche dans les Principautés Danubiennes*, Paris, Imprimerie et Librairie Centrales des Chemins de Fer, 1858, p. 40.

<sup>68</sup> Dimitrie Bolintineanu, *Domnii regulamentari și historia celor trei ani de la 11 februarie până astăzi*, București, Tipografia Națională, 1869, pp. 39-40.

<sup>69</sup> Castaing to Walewski, Iași, May 18, 1856, in Arhivele Naționale, filiala Iași, fond microfilme Franța, reel 41, file 5, pages 67-68 and next.

<sup>70</sup> Anastasie Iordache, *Principii Ghica...*, pp. 203-204; see also Leonid Boicu, *Adevărul despre un destin politic. Domnitorul Gr. Al. Ghica (1849-1856)*, Iași, Editura Junimea, 1973, pp. 144-145.

<sup>71</sup> Coronini to Grünne, București, May 12, 1856, in Ion I. Nistor, *Coroșdența lui Coronini din Principate. Acte și rapoarte din iunie 1854-martie 1857*, Cernăuți, Institutul de Arte Grafice "Glasul Bucovinei", 1938, p. 1023; see also Leonid Boicu, *op. cit.*, pp. 142-143.

<sup>72</sup> Grigore Alexandru Ghica to Coronini, Iași, May 12, 1856, in *Ibidem*, p. 1024.

<sup>73</sup> Grigore Alexandru Ghica to Coronini, Iași, May 16, 1856, in *Ibidem*, p. 1025.

Finally, Austria had to acknowledge its defeat in the argument over the granting of the privilege for the bank, at least in Iași<sup>74</sup>. Coronini's letter, written on May 22, 1856, proved it: the supreme commander talked about the "blind, but systematic and principled animosity towards Austria" shown by a prince under the influence of young utopians<sup>75</sup>. In his turn, Buol, the Foreign Affairs minister, was informed that Austria's support was enough to activate antagonist tendencies from the part of the General Council's members towards Weikersheim's proposals<sup>76</sup>.

After the expiration of Grigore Alexandru Ghica's seven-year term things did not go as well. The half-year delay in the opening of the bank, which coincided with Teodor Balș's term as Moldavia's caimacam, was generated by the expectation of a ratification act of the privilege from the part of the Porte. The bank officially started to function on March 12, 1857. Even so, despite a short period of prosperity, especially in the domain of assets collection and share value rising at 120%, difficulties related to the proper operation of the establishment soon appeared, finally leading to the annulations of the privilege, on June 14, 1858<sup>77</sup>. We won't elaborate on the details here.

To sum up, we believe that Grigore Alexandru Ghica constantly nurtured the idea to create a bank of Moldavia since 1846-1847. After his appointment as prince, having at his disposal the authority and the means to contribute decisively to its economic advancement, he was confronted with obstacles brought along by the international political context. Still, the tenacity he showed, as we have seen, in the matter of endowing Moldavia with a bank, continued to manifest itself, rendering immaterial the charges of weakness and indecision which so often were brought against him.

Promoting new reformist ideas, Grigore Alexandru Ghica attempted and in the end succeeded in overcoming the difficulties which stood in the path of creating the bank of Moldavia. Even if its failure after a year of functioning could be the effect both of the lack of experience of its personnel, as well as the shortcomings of the Moldavian society of the time, the honourable intention which stood at its origin could not and cannot be disputed.

<sup>74</sup> *Dezvoltarea economiei Moldovei...*, p. 393.

<sup>75</sup> Coronini to Grünne, Iași, May 22, 1856, in Ion I. Nistor, *op. cit.*, p. 1031.

<sup>76</sup> Leonid Boicu, *Austria și Principatele Române în vremea războiului Crimeii (1853-1856)*, București, Editura Academiei, 1972, p. 312.

<sup>77</sup> G. Zane, *op. cit.*, p. 117.