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1. Data Concerning Romania's Monetary History (1867–1914)

For Romania, the latter half of the 19th century was the time span during which the modern state took shape and its institutional structures were put in place. This endeavour bore the hallmark of the models applied in Western Europe, France in particular.

All structures and institutions in Romania were gradually subject to modernisation. One of the last changes was the formal adoption by Romania of the Gregorian calendar starting 1 April 1919 – this is why every piece of chronological information prior to this date is given according to the Julian calendar. The Romanian Orthodox Church gave its nod for using the latter on 1 October 1924, which thus became 14 October according to the new style calendar.

Across the economy, modernisation became to make itself felt also through the repeated endeavours of the public authorities in Bucharest to organise a monetary and credit system capable of putting Romania on a par with the other European countries. The national monetary system was well established even before 1877, when Romania gained independence. According to the Law on Establishing the Monetary System and Manufacturing the National Currency, enacted on 14 April 1867, the *leu* (plural: *lei*), the country's currency unit, was based on the bimetallic standard. Thus, one *leu* was equivalent to 0.3226 grams of gold with fineness of 900‰ or 5 grams of silver with fineness of 835‰. Upon its establishment in 1880, the Banka Națională a României (BNR) was required by law to hold a metal stock accounting for, at least, 33% of the total amount of banknotes in circulation, but the ratio between gold and silver was not specified.

The mint ratios of the *leu* against the major currencies were as follows: 1 French franc = 1 *leu*, 1 pound sterling = 25.2218 *lei*, and 1 German mark = 1.2346 *lei*. The introduction of the bimetallic standard and the putting on a par of the Romanian currency unit with the French currency unit were aimed at making the Romanian monetary system compatible with the standards used by the countries participating in the Latin Monetary Union. Nevertheless, Romania's application for membership in the Latin Monetary Union was rejected.¹

Although the 1867 law provided for the value of the *leu* in both gold and silver, the market-determined price of gold soon exceeded the official price. The emerging difference between the two values, referred to as *agio*, led to the hoarding of gold coins and the weakening of the silver coins against gold coins and the banknotes issued by the BNR. Eventually, given the economic climate, the Romanian authorities decided to abandon the bimetallic standard.

The new monetary law passed in 1890 stipulated that silver was to be removed from the monetary standard. Hence, the authorities opted for gold monometallism, with silver coins remaining in circulation only as fractional coins. The BNR opposed the move to the gold standard. As a matter of fact, this legislation was enforced no sooner than 1892. Accordingly, one *leu* was equivalent to 0.3226 grams of gold with fineness of 900‰. The 1890 law and the statute of the BNR set forth a gold cover of the banknotes in circulation of at least 40%, of which bills of exchange denominated either in pound sterling or German mark could account for as much as 30%. Starting with 1901, the lower bound of the total cover could be lowered to 33% under exceptional circumstances, and the bills of exchange included in its composition could be denominated in French francs and Belgian francs as well.

The BNR was founded in virtue of the law enacted on 17 April 1880. Its capital amounted to *lei* 30 million, of which two thirds were subscribed by private entities and one third by the government. In 1901, the government sold its stake in the BNR, which thus became a private bank, its capital remaining at the level set 21 years earlier.

The BNR was vested with the sole power to issue banknotes for as long as two decades. The notes were convertible into either gold or silver, and from 1892 onwards in gold and gold currencies, upon presentation, at the bank's desks. The prerogative of currency issuance was extended several times in succession and is still valid nowadays.

The head office of the BNR is in Bucharest and the first branches, opened as early as 1881, were located in Brăila and Galați (two port cities, close to the

¹ Further information on the relations between Romania and the Latin Monetary Union is presented in Costin C. Kirițescu's book titled *Sistemul de la 1867 și Uniunea Monetară Latină*, the volume *Crearea sistemului monetar național la 1867*, Editura Academiei, Bucharest, 1968.

mouths of the Danube), Craiova (the second-largest city in southern Romania) and Iași (the former capital city of Moldavia). By the end of the 19th century, the number of branches in operation had increased to 21, thus the National Bank conducting business activity in every county seat.

2. Introducing the Statistical and Historical Data Series

The database mentioned in this presentation covers the 1880–1914 time span, with yearly entries. It consists of four historical series of utmost importance for describing modern Romania's monetary history: the exchange rates of the *leu* versus other currencies, the international reserves, the volume of banknotes in circulation, the discount rate applied by the NBR.

Data concerning exchange rates include annual averages of the ratio between the Romanian *leu*, on the one hand, and the French franc, the pound sterling and the German mark, on the other. These readings were calculated based on the monthly averages between the minimum and the maximum exchange rates recorded when trading cheques drawn on other countries on the Bucharest Stock Exchange. For the time periods² during which *The Official List of Securities of the Bucharest Stock Exchange* does not provide information on the exchange rate, data published by exchange houses in Bucharest were used. A particular feature of the *leu* in relation to the three currencies mentioned above is its great stability, owing to the maintenance of the domestic currency convertibility throughout the period.

The international reserves of the BNR during 1880–1914 depicts the end-of-year data recorded in the central bank's annual balance sheets and comprises metal stock (column 1), mortgage notes and bills of exchange included in the total cover depending on the legal provisions at the time (columns 2 and 3); for 1881–1892, data also include foreign currency-denominated commercial bills in the NBR portfolio (column 4).

From 1881 to 1891, metal stock consisted of gold and silver. After 1892, the metal stock included gold only.

The total cover and hence the international reserves included mortgage notes 1881 through 1889. These mortgage notes were put into circulation in 1878 through *Casa de Economii și Consemnațiuni* (the Savings Bank). The issue was backed by the government's land properties and withdrawal from circulation was scheduled to be performed on a gradual basis, by selling the aforementioned properties. Upon its establishment, the BNR committed itself – in virtue of an agreement concluded with the government – to withdrawing the mortgage notes from circulation and replacing them with its own banknotes. Subsequently, the

² July through November 1882, June through December 1884 and January through April 1885.

government was supposed to redeem these mortgage notes. Until maturity date, they were included in the central bank's total cover, as collateral for the banknote issue.

After 1892, according to the new monetary law, some 30% of the gold cover of banknotes in circulation could be accounted for by commercial bills denominated in gold foreign exchange, pound sterling and German mark to start with, and, after 1901, in French and Belgian francs.

During 1881/1892, the available sources provide further information on foreign currency-denominated commercial bills in the NBR portfolio. They were not part of the total cover of the issuing house, yet they were incorporated into the bank's international reserves as the NBR's available funds denominated in foreign currencies.

Data concerning banknotes in circulation issued by the BNR refer to the end-of-year data.

The last of the historical series presented is the discount rate applied by the central bank on the early redemption of a commercial bill with a three-month maturity. The rate was set on a weekly basis by the NBR Discount Committee, yet the statistical series shown hereby refer mainly to the seesaw movements in the interest rate. It is worth noting that the NBR discount rate was left unchanged over long time spans at relatively low levels, ranging between 4 and 6%. This led to looser lending conditions and hence commercial, industrial and banking activity thrived, since lending rates on the Romanian market ranged between 15 and 20% prior to the establishment of the central bank.

3. Data Sources

Data concerning the international reserves, the discount rate and banknotes in circulation have been taken from the *NBR, Reports of the Board of Directors to the General Shareholders' Meeting* between 1881 and 1915. Information on exchange rate developments of the *leu* versus the French franc, the pound sterling and the German mark has been collected from *The Official List of Securities of the Bucharest Stock Exchange, 1882–1914* and from the *NBR, Reports of the Board of Directors to the General Shareholders' Meeting* during 1893–1915.

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Table 1: Exchange Rates in Bucharest

Annual averages	leu/French franc	leu/German mark	leu/pound sterling
1882 ¹⁾	1.000	1.234	25.218
1883	1.000	1.233	25.227
1884	1.002	1.237 ²⁾	25.251 ³⁾
1885	1.004	1.240	25.228 ⁴⁾
1886	1.002	1.239	25.302
1887	1.004	1.246	25.413
1888	1.002	1.243	25.368
1889 ⁵⁾	1.000	1.233	25.211
1890	1.001	1.237	25.230
1891	1.001	1.235	25.249
1892	1.003	1.238	25.251
1893	1.003	1.239	25.287
1894	1.007	1.241	25.331
1895	1.004	1.238	25.323
1896	1.003	1.238	25.280
1897	1.004	1.240	25.277
1898	1.002	1.239	25.327
1899	1.018	1.255	25.677
1900	1.013	1.245	25.483
1901	1.009	1.243	25.373
1902	1.004	1.235	25.251
1903	1.005	1.237	25.274
1904	1.008	1.242	25.367
1905	1.007	1.239	25.347
1906	1.007	1.238	25.350
1907	1.008	1.239	25.400
1908	1.013	1.242	25.442
1909	1.007	1.239	25.351
1910	1.004	1.238	25.335
1911	1.001	1.236	25.274
1912	1.006	1.240	25.402
1913	1.017	1.255	25.703
1914	1.010	1.244	25.446

¹⁾ Average July-Dec.

²⁾ Average January-April, June-Dec.

³⁾ Average January-March, June-Sept.

⁴⁾ Average May-Dec.

⁵⁾ Average April-Dec.

Source: NBR, Reports of the Board of Directors to the General Shareholders' Meeting, 1893-1915
The Official List of Securities of the Bucharest Stock Exchange, 1882-1891.

Table 2: Reserves: Gold, Silver and Foreign Exchange Reserves

End of year values in lei

Date	Gold and silver coins*	Mortgage notes	Gold bills of exchange	Commercial bills denominated in foreign currency	Total
	1	2	3	4	5=1+2+3+4
1881	21,336,342.7	14,168,270.0		2,748,848.0	38,253,460.7
1882	23,838,163.8	24,338,875.0		5,788,307.6	53,965,346.4
1883	34,519,945.7	25,531,240.0		2,754,357.4	62,805,543.1
1884	33,981,886.1	25,812,735.0		2,025.0	59,796,646.1
1885	34,120,250.7	25,902,605.0		15,037.5	60,037,893.2
1886	33,180,319.8	25,956,500.0		65,779.5	59,202,599.3
1887	31,890,566.1	25,877,420.0		139,466.0	57,907,452.1
1888	32,430,926.4	25,744,280.0		0.0	58,175,206.4
1889	39,523,865.1			23,192,033.3	62,715,898.4
1890	45,616,335.6			15,732,694.3	61,349,029.8
1891	60,652,262.4			14,482,644.0	75,134,906.4
1892	53,160,703.7		13,954,339.8	315,584.1	67,430,627.6
1893	59,614,560.7		8,185,432.0		67,799,992.7
1894	44,501,370.5		1,610,555.0		46,111,925.4
1895	60,996,199.5		3,208,291.4		64,204,490.9
1896	62,264,991.4		14,110,666.1		76,375,657.5
1897	57,781,344.9		15,115,586.8		72,896,931.7
1898	59,828,144.2		20,942,534.3		80,770,678.5
1899	34,737,588.0		14,587,568.1		49,325,156.1

Table 2 continued: Reserves: Gold, Silver and Foreign Exchange Reserves

Date	Gold and silver coins*	Mortgage notes	Gold bills of exchange	Commercial bills denominated in foreign currency	Total
	1	2	3	4	5=1+2+3+4
1900	39,902,734.7		10,182,880.4		50,085,615.1
1901	49,107,433.6		20,275,149.0		69,382,582.6
1902	72,168,188.1		28,731,158.8		100,899,346.9
1903	73,462,380.4		30,871,943.1		104,334,323.5
1904	53,922,746.8		20,183,412.3		74,106,159.1
1905	77,780,868.3		31,407,905.2		109,188,773.4
1906	82,860,999.6		34,547,232.2		117,408,231.7
1907	96,222,822.9		39,384,680.6		135,607,503.5
1908	90,394,496.2		33,688,703.7		124,083,199.9
1909	93,841,631.5		38,046,223.1		131,887,854.6
1910	120,023,216.1		48,889,157.0		168,912,373.1
1911	157,799,779.3		61,366,717.8		219,166,497.1
1912	155,504,865.6		63,430,277.5		218,935,143.1
1913	151,510,764.2		56,534,181.0		208,044,945.2
1914	153,956,720.0		62,941,120.4		216,897,840.4

Note: From 1892 only gold.

Source: BNR, Reports of the Board of Directors to the General Shareholders' Meeting, 1882–1915.

*Table 3: Banknotes in Circulation**end -of- year values in lei*

1881	58,536,470.0
1882	84,405,920.0
1883	88,546,170.0
1884	85,961,980.0
1885	98,318,620.0
1886	104,513,020.0
1887	105,029,620.0
1888	103,850,350.0
1889	97,187,200.0
1890	108,429,300.0
1891	125,872,670.0
1892	114,968,710.0
1893	128,461,040.0
1894	103,117,220.0
1895	153,598,310.0
1896	142,617,770.0
1897	145,633,190.0
1898	162,334,020.0
1899	108,718,900.0
1900	138,622,180.0
1901	144,965,400.0
1902	167,324,240.0
1903	177,635,670.0
1904	167,144,770.0
1905	237,614,160.0
1906	249,337,190.0
1907	271,005,760.0
1908	259,063,700.0
1909	282,630,150.0
1910	339,804,300.0
1911	443,357,890.0
1912	425,180,740.0
1913	437,182,410.0
1914	578,243,647.5

Source: BNR, Reports of the Board of Directors to the General Shareholders' Meeting, 1882–1915.

Table 4: Romanian Discount Rates

Year	Day	Month	%
1881	1	1	5.00
	6	2	4.00
1884	29	11	5.00
1887	30	9	6.00
1890	1	4	5.00
1892	25	2	6.00
1893	13	3	5.00
	20	11	6.00
1894	6	8	7.00
	1	10	6.00
1895	15	4	5.00
1898	8	10	6.00
1899	1	1	5.00
	25	6	6.00
	1	7	7.00
	1	10	8.00
	10	12	9.00
1900	19	2	8.00
1901	1	4	7.00
1902	1	2	6.00
	14	8	5.00
1907	30	8	6.00
	19	9	7.00
	27	10	8.00
	29	12	7.00
1908	10	1	6.00
	28	2	5.00
1912	19	10	6.00
1914	1	5	5.50
	18	7	6.00
	25	7	7.00
	25	8	6.00

Source: BNR, Reports of the Board of Directors to the General Shareholders' Meeting, 1882–1915.