

THE EVOLUTION AND COLLAPSE OF THE MARMOROSCH-BLANK BANK

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Abstract

The modern age of Romanian economy begins with the opening of the Black Sea trade. That creates favorable conditions for mass migration of foreign populations especially Hebrew, persecuted in the Ukraine and Poland to Moldavia and Wallachia. They will help harness Romanian products on the deployment of feudal relations and the development of industry and banking institutions. By mid-century could not question the establishment of banks, the conditions are unfavorable, but this is what has enabled the handler of money to loan sharks to get rich. They are not only Hebrew, some of them are coming from south of the Danube Macedonia. Marmorosch-Blank Bank was born under these conditions, making it one of the most important Romanian banks that contributed to the development and modernization of Romania for more than half a century. Great economic crisis that marked the world economy had an impact on the global banking system including one in Romania, leading to the collapse and bankruptcy of Marmorosch-Blank.

Keywords: Merchant, Usurer, Banker, Bankruptcy.

1. INTRODUCTION

Most of us are tempted to believe that for several centuries before the nineteenth century, the Romanian economy in general and especially in capital accumulation almost nothing. happened For some historians the nineteenth century as a separate period of economic development begins in 1774, after the peace of Kuciuk Kainargi; to others the landmark in Romanian economy, perhaps the most important, is the 1829 with the opening of the Black Sea international trade following the Peace of Adrianople, the result of the defeat of the Ottoman Empire in the Russo-Turkish War of 1828. It is certain that the interest in the region north of the Danube increased both in Western Europe and Russia which in 1812 incorporated Bessarabia.

In 1821 report, an English expert W. Wilkinson noted: "natural wealth and resources of Wallachia and Moldavia are great for so that these countries could enjoy the things of a regular government [...] if export would be opened if ties trade nations would establish a conveniently [...] they would soon become the most populated provinces and thriving in Europe" (Rosen, 1995).

The modern age of Romanian economy begins with the opening of the Black Sea trade. This created favorable conditions for mass migration of foreign populations, especially Hebrew, persecuted in the

Ukraine and Poland to Moldavia and Wallachia. They will help harness Romanian products, dislocate feudal relations and help the development of industry and banking institutions.

By mid-century we could not have in view the establishment of banks, the conditions are unfavorable, but this is what had enabled the money changer and usurers to loan sharks to get rich. They are not only Jews, some of them are coming from the south of the Danube from Macedonia. Their number was particularly high, but their trade relations with East and the countries of Central and Western Europe, will lead the organization in true commercial companies. Many of them were sent to follow these studies in Venice and Vienna, where did trade practice (Iorga, 1925, p.102). The company led by Michael Țumburu, based in Brasov had his father John as members, Boghici and Hagi Stan Jianu Mayor of Craiova Theity of this company is run from Venice, Trieste, Vienna, Bucharest, Constantinople, Thessaloniki, Larisa Tricia and employing numerous correspondents and commissioners. We remember also brothers Stephen and George Meitani, merchants enriched by trade with Aite Habsburg states, elevated to barons of Emperor Francis I, or Hagi Moscu the richest moneylender in Bucharest. Most of them adapt to new economic realities created by the opening of international trade in Romanian countries, and will go bankrupt in 1835 or 1828.

In this period they were circulating on the Romanian territory about 70 types of coins, which meant a free field of action for moneyhandlers and rapid enrichment of some of them. Due to the growing needs of the Treasury, royal courts of Moldavia and Wallachia large sums of money from moneylenders (Negrea, 1990, pp. 192-130).

In 1836 Prince Al.Ghica turn to support Hillel Manoah support from the state get 80% of the loan with an interest rate high enough. Later this whole fortune was donated usurer banker University of Bucharest. The same thing will do Jaques Elias, who donated his fortune Romanian Academy. Some Hebrew will be appreciated at the royal court, and Israel Daniel Daniel who gets back during Nicholas Vogoride, after Mihail Sturza elevates to the rank of Boyar (1990, pp. 192-130).

2. CONTRIBUTION MARMOROSCH-BLANK BANK TO THE ECONOMIC DEVELOPMENT OF ROMANIAN

The new conditions created by Romanian trade opening to Europe, the Danube and the sea, have resulted in a rather slow pace due to specific historical conditions not enough funds in the economy, the establishment of the first banks. And the new bank becomes a necessary tool for the economic development, while the Romanian society is mature and part of the population wants the model of the Western institutional modernization. Romanian population, overwhelmingly composed of peasants,

noblemen class lacking the necessary experience being involved in economic activities, and less numerous urban population will leave this spot open to foreign populations in less developed areas where industry, commerce, and banking was missing.

In the data of the first census carried out in Romania in 1859, we find that the Hebrew population of Bucharest were 5,934, and four decades later their number increased to almost eight times while the city's population had doubled in the. Moldovan towns the number was much higher compared to the Romanian population. Bucharest's population in 1930 was 639,040 people, of which 69 885 Hebrew (11.9%) meant that in the Capital 9.6% of the Jewish population living in Romania. Our country ranks third in Europe and fourth in the world in terms of the number of Jews.

In Bucharest most Jews worked in trade (16.5%), industry (14%), occupying one third of credit institutions (5.4%), which meant that in relation to the Romanian population the number was quite high (Rosen, 1995, p. 21). Non-recognition of Romanian citizenship to this population, under the historical conditions of the time, should not lead to a misinterpretation of the capital held, considering it being foreign. This accumulation was made especially in Romania and as such it belonged to the country's economy. As an expression of that situation, the representatives of this community had fought for decades to receive recognition for Romanian citizenship.

The first bank was established in 1848 in the most important point of Bucharest, at the intersection Blănari and Grocery streets, with a capital of 30,000 lei. That was a family bank, Jacob Marmorosch began his work as a merchant and moneylender advised by his brother Jacob Lobel, who became later, in 1865, the Bucharest branch manager of the Ottoman Empire Bank. It will advocate for the creation of a national insurance companies. After a decade and a half Marmorosch associated with Maurice Blank, one of the first Romanian diplomats in commercial and financial sciences. In 1874, when the Bank became a partnership society and will bear the names of both owners the capital was increased by the sum of 172,000 lei. Maurice Blank, who was born in Pitesti on July 8, 1848, identifies himself with the entire business of the bank, given that his associate James Marmorosch left Romania in 1870 and settled in Vienna.

The activity of the banks was particularly diverse in Romania because "everything was done" and investments brought significant profits. The need for credit increases, especially after the land reform in 1864. Marmorosch Blank & Co., Bank initially, financed the agricultural export and the import of other goods, participated in the state loans to finance the construction of bridges, railways, public works, industry etc.

The most profitable bank activities were Romanian and Russian armies supplies in 1877, the

construction of important railway lines, Buzau-Marasesti (1879), Dorohoi Iasi (1894), Ramnicu Valcea-Câineni (1895), which facilitated the cost of transport, connecting them with railways in Transylvania, developing trade in Central and Western Europe.

In 1882, together with the French company Societe Marseillaise des Ciments du Midi participated to the sewers of Bucharest. For the first time a bank participating in the financing of national industries was especially important with the establishment of 50,000 lei Letea Paper Factory (1879) and 100,000 lei Scăieni Paper Factory (1887).

Together with three foreign banks (Deutsche Bank, Darmstadter Bank și Berliner Handels Gesellschaft), in 1895 Marmorosch-Blank Bank subscribes to a public loan. It was the first loan with an interest rate of 4.5% of Bucharest, compared to 5% interest on previous loans used to modernize the city and its endowment with schools, halls, markets.

The bank created its subsidiaries or participated in setting up other financial institutions: Bank of Commerce in Craiova (1898) – which was transformed after a year into a cooperative limited company, the initial capital of 200,000 lei reaching in 1913 -1000000 lei in 1920 up to 60,000,000 lei to 54,970,157 lei a reserve fund.

After 1904 the Bank converted into a joint stock company, the activity intensified. In 1910 it participated with 400,000 lei (40% of the capital) to create Bank of Moldova, established by M.Wachtel. The development of the oil industry in Ploiesti determined Maurice Blank to contribute to the establishment of the Central Bank of Ploiesti led by Max I. Schapira, participating with 50% of the capital (50,000 lei).

In 1922 the bank's reserves have reached 3,000,000, while deposits amounted to 94,686,204 lei. There is a huge difference between the bank's capital and deposits of the public, this is understandable given that the dividend was quite high reaching 15%.

Other banks established with the participation of the Marmorosch Blank Bank are: Bank of Commerce and Warehouses in Bucharest and Thessaloniki (1906), Our House for Bank, Commerce and Industry, the Marmorosch Blank Bank's representative in Bucharest Blank, Technical Loan Transylvanian S. A Buchares (1919), Bank of Timisoara and Joint stock Commercial Bank SA, Lugoj, Caransebes Keeping Case First, Free Peasants Bank SA Chisinau and Industrial Bank S.A. Bucharest (Banca Marmorosch Blank et Co, limited company 1848-1923).

Other areas of activity of the bank are: cement industry (in 1889 participating to the establishment of the cement plant at Braila with IG Cantacuzino), wood industry, food industry, oil etc.

After the war the bank activity is developing upward. In the first period 1920-1929 in Romania there

have been several tariff changes (1921, 1924, 1926, 1927, 1929) protectionism imposing a regime, which will decrease manufacturing imports by 40%, is mainly importing raw materials, semi manufactured goods and machines.

Some banks established during this period the Romanian distinct links with US financial market, in 1919 the Bank opened Marmorosch-Blank agency and an agency in New York, followed by Bank Chrisovelloni. Blank Marmorosch-operative Bank specializing in shipping operations to the US Romanian emigrants' money (Stanciu, 1996, p. 50).

In the coming years the economic nationalism prevails under the Romanian National Liberal Party. Here's how it was seen by Vintilă Brătianu, PNL leader: "Foreign capital must be attracted to what we like, particularly for installations of new businesses. payments to finance large jobs, debt consolidation and to equipment under a lighter conditions to Romania" (Economic nationalism and the doctrine of political parties in Romania, 1930, p. 58).

Another representative of the Liberal Party, Al, Topîlceanu said that Romania "is not so rich that we can afford to sacrifice the goods we possess to foreigners only to put an end to a difficult situation" (Topîlceanu, 1927, 7-8, p. 89).

The international situation in the late '30s had become unfavorable for the economic development of Romania. In 1930 Marmorosch-Blank Bank, which had become a colossus with ramifications throughout the economy of the country, for a long time due to its state subsidies to operate. At the same time it had equities to 12 banks and 57 companies, had an insurance company and concluded its balance sheet with a benefit of 90 million. In reality, the survival of the bank during the interwar period was the result of central bank support by increasing the rescount from 274 million lei (1924) to 1.85 billion (1930).

Shortly before the opening of the bankruptcy proceedings, when the question of state property concessions to the failure of financial support to overcome difficulties arising due to the global economic crisis, Aristide Blank believed that the inauguration of the policy of concessions and monopolies would be the only solution "to household balance public and to relieve the oppressive taxes during this time (Pintea, Ruscanu, 1995, p.138), together with some important new shareholders of the bank, he had taken precautions, withdrawing part of bank funds and sending them abroad.

In 1930 Marmorosch-Blank Bank lost 378 million lei and recorded on balance sheet a benefit of 60 million lei, by exaggerated evaluation of the land in the area of Bordei (300 million), the overvaluation of bank shares that participate to Discom (108 million lei) and evaluating publishing house into liquidation (National Culture) worth 32 million (Pintea, Ruscanu, 1995, p.138). Here is how Mihail Manoilescu,

governor of BNR depicts the forgeries:

“... Documents for the years 1926-1930 show that [...] all bank salaries were falsified leading to fictitious benefits of 1 billion 415 million lei. For each year losses totaled 1 billion 8 million.

Several procedures have been used:

The first improvement process was arbitrary lifting Hut building, consisting of a large place on the northern edge of the capital to the value of which increased in 1927 by 7 million and in 1930 (in the midst of a terrible crisis, when all land was catastrophically depreciated) 298 million.

The second process of "improvement" was even more critical. It created fictitious benefits of hundreds of millions of lei annually winding out a polling Blank Bank, Industrial Bank which had been bankrupt even before 1926. Balance in 1929 recorded a loss of 338 million lei, after a first correction was reduced to 223 million after a second correction to the figure of 278 is converted to the benefit of 55 million lei. This document provides tremendous value to be signed Aristide Blank himself. (Manoilescu, 1993, pp. 289-290). Since 1924 especially, Blank Bank granted a series of loans to officials or members of his entourage that would not ever be repaid. King Carol would obtain pecuniary benefits and also some of the members of his clique. On hearing the news that the bank is bankrupt, some of the press comes to his support while King strives to save the bank. The Universe of 14 November in its critical position "the clique know He can not defy an entire country. King seeked to touch and feel the pulse of the country about the situation".

Mihail Manoilescu faces the press that came to support Aristide Blank, the bank refuses to grant financial support, falling out of favor with King Charles II.

3. CONCLUSIONS

Looking closely to the economic realities of Romania before World War I, Blank Bank evolution noted that its financial situation experienced a remarkable development before the war and the depreciation of the leu at its end. Both capital and reserve funds experiencing a decline in value terms after 1920. If one takes into account that the leu depreciated by about 30 times, note that 1913 is the safest year to the bank in terms of stability. In 1920 the bank's capital was no longer included in the balance sheet which means that investments were only in depositors' money. It should not be forgotten the fact that with the economic crisis some foreign capital had left Romania thus it could not support this bank.

Thus in a bank that served the economic interests of Romania disappeared.

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