

Bonds Issued in 1856–1858 in Moldavia and Wallachia in Compensation to Former Slave Owners

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The first Romanian bonds, these modern financial tools, were issued in application of the laws which completely abolished the institution of Gypsy slavery.

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THE FIRST Romanian bonds were issued in the years 1856–1858, on the eve of the creation of modern Romania through the union of Moldavia to Wallachia, voted in the elective assemblies of the two Principalities on 5 and on 24 January 1859, respectively. The introduction of these new financial tools was a sign of economic modernization of the Romanian Principalities, and later on of Romania, in the nineteenth century.¹

The bonds were issued in a particular historical context, in application of the laws of emancipation of the Gypsy slaves privately owned (by boyars). The abolishment of slavery and the emancipation of the Gypsies in the Romanian Principalities was a complicated and tedious process. It was carried out through

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a series of laws which each ensured the emancipation of a particular category of Gypsies (slaves): Gypsies owned by the State were emancipated in 1843 in Wallachia and in 1844 in Moldavia; Gypsies owned by monasteries, in 1844 in Moldavia and in 1847 in Wallachia; and, privately owned Gypsies, on 10/22 December 1855 in Moldavia and on 8/20 February 1856 in Wallachia.²

Whereas Gypsy slaves owned by the State and by monasteries were emancipated with no compensation, in the case of privately owned Gypsies compensation in money was paid by the State. How this compensation was to be provided to former owners was the object of a heated debate at the time. Undoubtedly, the State did not have the necessary resources to buy out all the Gypsies at market price, and it was unlikely that private owners should waive the right to compensation, such as demanded by abolitionists. Compensation for slaves set free was in a way practiced even before the laws of 1855–1856. Beginning with the fourth decade, the State had a program of buying Gypsies out of slavery in Wallachia. The State was in fact buying the Gypsies from their owners at market price, the Gypsies thus becoming free persons and taxpayers. But a very small number of Gypsies were emancipated in this way, since the State did not have the financial resources for a large-scale operation. Finding the means to financially compensate private owners was a difficult process.

Stipulations Concerning the Compensation of Owners of Gypsy Slaves Included in the Laws of 10/22 December 1855 and 8/20 February 1856

THE IDEA of issuing bonds was suggested by Alecu Russo in early December 1855, in an article devoted to the issue of compensating the owners of Gypsy slaves, at a time when the law for the emancipation of the Gypsies in Moldavia had not yet been passed.³ Employing a modern language and arguments from the economic science of the time, Russo demonstrates here the advantages of the abolishment of slavery through compensation to the owners. The advantages were for all parties involved: the slaves, the owners, and the State. For the owners, essentially, it was a better use of their capital. Slavery—as demonstrated by the author of the article—was inefficient in economic terms. The money an owner received in exchange for the slaves was more productive, given the interest it produced. The financial advantage of the State was also highlighted: a larger number of taxpayers would increase the State revenue. Russo suggested that compensation should be offered in nominal bonds with a yearly interest of 10 percent.

Russo's proposal, with modifications, was introduced in the law to be passed in Moldavia. Owing to the considerable size of the compensation, the law was passed as such. This formula made possible the adoption of the emancipation law even if the necessary financial means were not yet available. And the lawmakers in Wallachia took over the related stipulations from the Moldavian law.

In Moldavia, the "Law for the Abolition of Slavery, the Settlement of Compensation, and the Transfer of Emancipated to the Status of Taxpayers" was passed on 10/22 December 1855.⁴ According to this law, the level of the compensation to the former owners was of 8 ducats⁵ for the *lingurari* and the *vătrași*, and 4 ducats for the *lăieși*,⁶ irrespective of sex, invalids and infants being nonetheless excepted from compensation payments (Art. 4). The sums involved were to come from the following sources: the tax paid by the emancipated slaves who had formerly belonged to the State and to the clergy, as well as by individuals emancipated in application of this law (295,330 *lei* yearly); an additional 200,000 *lei* from the Treasury; and, 100,000 *lei* from the charity chapter of the clergy's treasury. This amounted to a total of 595,330 *lei* to be allotted yearly for compensation payments to the former owners (Art. 5). In order not to exhaust the State finances, the former owners were to receive in compensation State bonds with a yearly interest of 10 percent (Art. 6, Paragraph d). Art. 10 included details on the regime of bonds, their evidence, payment of interest, bond transfer procedures from one individual to another, etc.

In Wallachia, the "Law for the Emancipation of All Gypsies in the Principality of Wallachia" was passed on 8/20 February 1856.⁷ The law included among others a number of stipulations on the compensation amounts and means to effect payment to the former slave owners. The compensation was of 10 ducats for each slave (Art. 2). The compensation was to be paid in cash up to the sum of 500 ducats, over the first two years, beginning with the owners of 1 to 5 Gypsy families. For larger amounts, differences were to be covered in bonds of 200 *lei* each, with a yearly interest of 5 percent, beginning with 1 July 1857, payment of the interest being made at the end of the year. Payment of the principal was also to be made yearly, according to the funds allotted, through a lottery (Art. 3). The necessary amounts for compensation payments were to be ensured from the tax paid by the emancipated individuals, the fund allotted in application of the emancipation law of 1847, and the tax paid by Gypsies formerly owned by the State. A special fund was thus created, called "the compensation fund," in which the entire revenue from all Gypsy taxpayers was collected. The same fund was to collect any other taxes paid by the Gypsy taxpayers, except the tax of 3 *lei* paid to the budget of their villages of residence, and other sums (Art. 5). The compensation fund was to be managed by a committee of five boyars, headed by the metropolitan bishop (Art. 6).

The procedure of payment of the debt to the former private owners was a very modern one. The State did not pay compensation in cash, which was in fact unavailable, or in goods that could be easily sold, but resorted to the solution of bonds. Thus, owing to this formula, compensation to the former owners of Gypsy slaves became a long-term public debt, and the State became a debtor to the former owners.

The bonds issued to the former owners of Gypsy slaves were the first bonds issued by the State in the Romanian Principalities. Interest on the bonds was to be paid by the State at the end of every year, and the principal was to be paid through lottery; namely, a lottery was to be held each year, and the winning numbers would receive payment of the principal.

The Issuance of State Bonds in Compensation to Former Slave Owners

THE LAW of 10/22 December 1855 passed in Moldavia made no specification of the total amount to be paid in compensation, since this amount depended on the number of slaves for which compensation would be claimed. As many private owners waived the right to compensation, the State was considerably relieved of the burden. In June 1856, when records were not yet completed, the State was to pay compensation for 20,589 Gypsies (16,023 *vătrași* and 4,566 *lăieși*), to a total amount of 4,613,112 *lei*.⁸ The final amount of the debt incurred in the emancipation of the Gypsies became explicit only in 1858. The bonds in compensation to former slave owners were issued in the years 1856–1858, to a total amount of 5,727,500 *lei*.⁹ The nominal values of the bonds were of 100 *lei*, 500 *lei*, and 1,000 *lei*.

In Wallachia, the establishment of the exact number of Gypsy slaves for which compensation was to be paid was difficult and time consuming, as many boyars declared ownership over a larger number of Gypsies, in order to be able to claim a larger compensation. The controversy between the former Gypsy owners and the emancipation commission over the real number of Gypsy slaves was a long one. By the end of 1859 it was established that compensation was to be paid for 47,063 slaves, to a total amount of 470,630 ducats, namely of 14,824,845 *lei*. A sum of 5,456,645 *lei* was paid in cash, and 46,841 bonds were issued for the remaining 9,368,200 *lei*.¹⁰ The former Gypsy owners received their bonds in 1857–1859.

The bonds for compensation of the former Gypsy owners represented a very large sum both in Moldavia and in Wallachia. Over many years, in absolute figures, these bonds were the largest public debt contracted by the State. Until



Bond to the value of 500 lei, for the compensation of a former slave owner, issued in 1856, in Moldavia.

1864, no other obligation of the State ever reached such a level. In August 1864, the rural law was adopted in Romania. The feudal relations in the rural areas were eliminated, and land was given to the former bondsmen. In compensation of the corvée and terrage to the former owners, bonds were issued to a nominal value of 289.569.200 lei.¹¹

The bonds were introduced in the budgets of the two Principalities beginning with 1857 in Wallachia and 1858 in Moldavia. Bonds issued in 1856–1858 were managed by the Ministries of Finance of the two Principalities, and further on by the Ministry of Finance of Romania. In the budget of the State, the chapter “Expenditures” includes the sums allotted to covering the debt for the emancipation of the Gypsies. Mention is constantly made of “the public debt for the emancipated slaves” (more exactly, the value of bonds still on the market) and “amortization of the public debt for the emancipated slaves,” that is, the interest on the bonds. The sum allotted to the payment of the principal through

lottery is not always included in the budget, since there were years when it was considered that the budget could not incur such expenses, which were postponed for the following year.

The Financial Effort of the State to Ensure the Payment of Compensation to Former Slave Owners (1856–1872)

UNTIL THE administrative unification of 1864, the State was unable to constantly and thoroughly fulfill the obligations deriving from the laws of emancipation of the Gypsies. The Romanian Principalities experienced great financial difficulties. The outbreak of the world economic crisis by the end of 1857 and its effects experienced until 1861 were felt in the Romanian Principalities as well. The price of grain plummeted, exports stalled, stocks lingered in warehouses awaiting a buyer etc.¹² As a result, the revenues of the State were considerably reduced. Under these circumstances, the budgets of the Principalities included reduced expenditures. The payments towards the debts contracted by the State were delayed as much as possible, and when such payments could not be delayed the State had to resort to loans. As a consequence, serious problems occurred with the bonds held by the former slave owners. Interest on these bonds was not paid regularly, and amortization through lottery was often postponed.

One should nevertheless note that the bonds issued to the former slave owners enjoyed a preferential status, in the sense that payments were never suspended completely. Therefore, in the budget of Wallachia for the year 1859, the chapter “Expenditures” included no amount for payments towards debts contracted in the past, except for the debt incurred with the emancipation of the Gypsies and the tribute to the Sublime Porte.¹³ Quite obviously, the two were considered priorities. In what the bonds were concerned, the explanation lies in the fact that protection was given to the interests of the boyars, who were in fact controlling the policy of the country.

Based on the information from the separate budgets of the Principalities, and further on from the budget of Romania, this entire issue of the financial effort of the State in paying compensation to the former slave owners can be pieced together.¹⁴

Without going into further details, it is worth mentioning that the more difficult situation in payments made towards the bonds occurred in Moldavia. Between 18 March 1856 and 18 October 1858, therefore over 2 years and 7 months, the interest towards the bonds reached a total of 1,417,875 *lei*. Only 28,410 *lei* out of this amount was paid by the State, which led to 1,389,465

lei in arrears, towards amortization. In Wallachia the situation was better, nevertheless with an accumulation of large overdue amounts.

In 1863 the budget appeared in a unified form for the first time, although a complete financial unification was not yet made, since separate records were being kept in Moldavia and in Wallachia.

On 31 December 1863 the public debt was as follows: a) Debt of Wallachia: a total of 19,120,348.47 *lei*, out of which the “Debt for the emancipation of the Gypsies, principal and interest”—7,833,077.03 *lei*; b) Debt of Moldavia: a total of 9,042,235.81 *lei*, out of which “Debt for the emancipation of the Gypsies, principal and interest”—6,306,300 *lei*.¹⁵ This made a total debt toward the bonds of 14,139,377.03 *lei*, principal (nominal value of bonds on the market) and interest.

It is noteworthy that the debt towards the bonds in Wallachia was much smaller than it had been in 1857, when securities were issued to the total amount of 9,368,200 *lei*. This is a result of the fact that the Ministry of Finance of Wallachia had mostly fulfilled the obligations towards the bond owners, paying the interest and the principal, after the organized lotteries. The situation was different in Moldavia. Here, on 31 December 1863, bonds still had roughly the value at which they had been issued (their initial value had been of 5,727,500 *lei*). This is due to the fact that the Treasury of the Principality had only been able to pay the interest, and very seldom the principal.

Beginning with 1864, the bonds issued in the process of emancipation of the Gypsies were included in the unified budget. The expenditure budget of the Ministry of Finance in 1864 was of 43,866,552.17 *lei*, out of which 23,345,876.89 *lei* were allotted to the payment of the debt of the State. Out of the latter amount, 2,515.634 *lei* was allotted to payments towards the bonds for the emancipation of the Gypsies: 1,045,800 *lei* for amortization of bonds issued in Moldavia, 667,300 *lei* for amortization of bonds issued in Wallachia, 467,290 *lei* for interest payments for bonds issued in Moldavia, 320,124 *lei* for interest payments for bonds issued in Wallachia, and 15,120 *lei* for 48 emancipated individuals for whom bonds had not been issued.¹⁶ The amount allotted to amortization of the bonds was greater in Moldavia—1,045,800 *lei*, than in Wallachia—667,300 *lei*, owing to the accumulation of greater arrears. Interest was higher in Moldavia as well, even if related to a principal smaller than in Wallachia, which resulted from the fact that interest for bonds was of 10 percent in Moldavia, set against 5 percent in Wallachia.

During the following years, payments towards the bonds issued to compensate former slave owners were more regular. The debt for the emancipation of the Gypsies was extinguished in 1872.

Circulation of Bonds

BONDS WERE modern financial instruments and also thought out as means to encourage financial transactions at a time when the financial market in the Principalities was beginning to take shape. Bonds were at the beginning nominal. In August 1856, the Department of Finance of Moldavia allowed the transaction of bonds. The decision specified that the purpose was “to encourage bond circulation.”¹⁷ The sale and purchase of bonds, as well as their placement as securities, were being thus encouraged. Speculation on their rate was made. Some bonds were donated by their owners to social establishments.

With deadlines in payment not met by the Ministry of Finance of Moldavia, a devaluation of bonds occurred. Bankers accepted them as security less and less willingly. This explains why Lombard operations with these bonds until 1864 were scarce.¹⁸ In the balance of the National Bank of Moldavia at 23 December 1858, bonds only totaled a sum of 5,926 ducats,¹⁹ and in the balance of the same bank at 20 August/1 September 1860, “bonds of the Treasury (Gypsies)” totaled a sum of 3,189 ducats and 25 *lei*.²⁰ Bond owners were less than pleased, since it was very unlikely that they should be able to recuperate their due amounts any time soon. If at the beginning bonds were sold at 85 percent of their nominal value, their price soon dropped at 30 percent of the value. Even so, they were difficult to sell. On 20 March 1861, the Minister of Finance of Moldavia, Petre Mavrogheni, in a report on the budget of 1861 to the Prince, suggested an intervention by the State in order to strengthen securities (bonds included) issued by the State.²¹

Bonds were used as security for a loan contracted by the Ministry of Finance in 1861. It was a loan of 2,000,000 *lei*, granted by the Jewish bankers of Iași, Michel Daniel, Leiba Cahane and Moise Idel Vecsler. It was also the largest loan contracted by the Ministry of Finance of Moldavia with the local bankers. The loan was needed in order to cover part of the huge budget deficit of the time. The interest was of 10 percent per year, and the loan was to be paid back in 15 months, to begin with 1 July 1861. Customs revenues were allotted to the payment of this loan, and 45 bonds with principal and interest were issued to the same effect.²²

According to a stipulation in the loan agreement, 600,000 *lei* out of the total sum of 2,000,000 *lei* was to be paid back to the bankers for bonds issued by the government in application of the law of 1855, principal and interest, bonds held by these bankers.²³ In contracting this loan, in amount of 2,000,000 *lei*, the Ministry of Finance received in fact only 400,000 *lei* in cash, the rest of the sum being covered by the bankers with treasury bonds in the amount of 1,000,000 *lei* and bonds issued by the State at the time of the emancipation of the Gypsies, in the amount of 600,000 *lei*. The Treasury accepted the bonds at nominal value.

It was not the first time when, in granting loans, bankers were forcing the Treasury of Moldavia to take over State debts not paid at maturity or not yet exigible. Now, when bonds were depreciated on the market and rated at 70 percent of their nominal value, and when the Treasury was accepting them at nominal value, it was quite obvious that the State had incurred a loss. From the outset, in this transaction with the State, the bankers were making a profit of 30 percent. The way in which these bonds were treated made certain contemporaries to declare that the loan was a robbery, and even accusations of bribery at higher level, including bribery of the Minister of Finance himself.²⁴

Conclusion

FROM 1856 and until the extinguishing of the debt in 1872, the bonds for the emancipation of Gypsies weighed seriously upon the budgets of Moldavia and Wallachia, and later on of Romania. Upon issuance and subsequently for several years, these bonds were the largest debt contracted by the State. The serious crisis affecting State finance for a decade was aggravated by the service of these bonds. Indirectly, the bonds affected the programs for development and modernization of the Romanian State, which could not be always carried through owing to insufficient funds. □

Notes

1. The bonds issued in 1856–1858 are mentioned in some older writings of financial history of Romania: Gheorghe M. Dobrovici, *Istoricul dezvoltării economice și financiare a României și împrumuturile contractate 1823–1933* (Bucharest, 1934), 43 sqq.; Const. C. Angelescu, “Creditul în Moldova de la 1848 la 1864,” in *Dezvoltarea economiei Moldovei între anii 1848 și 1864: Contribuții* (Bucharest, 1963), 399–400. The first paper specifically devoted to the topic, but focusing on the amounts paid by the State toward these bonds, Venera Achim, “Prima emisiune de obligațiuni în Principatele Române: Efortul financiar al statului pentru despăgubirea foștilor proprietari de robi,” in *Curențe ideologice și instituțiile statului modern—secolele XIX–XX: Modelul european și spațiul românesc*, eds. Daniela Bușă and Ileana Căzan (Bucharest, 2007), 263–277.
2. For the process of emancipation of the Gypsies, see Viorel Achim, *The Roma in Romanian History* (Budapest–New York, 2004), 87 sqq.; id., “The Gypsies in the Romanian Principalities: The Emancipation Laws, 1831–1856,” *Historical Yearbook* 1 (2004), 109–120; see also Venera Achim, “Dezrobirea țișanilor—prima reformă

- socială în Principatele Române în epoca modernă,” in *Schimbare și devenire în istoria României*, eds. Ioan Bolovan and Sorina Paula Bolovan (Cluj-Napoca, 2008), 241–248.
3. *Steaua Dunării* 1, 28 (3 December 1855): 109–111; 1, 30 (8 December 1855): 118–119; and A. Russo, *Scrieri*, ed. P. Haneș (Bucharest, 1908), 155–160.
 4. *Buletin* 23, 100 (19 December 1855): 397–398.
 5. The *leu* (pl. *lei*) was the money of account in Moldavia and Wallachia, and beginning with 1859 in Romania, with the *para* (1 *leu* = 40 *para*) and *ban* (1 *leu* = 120 *bani*) as its subdivisions. The parity was 1 ducat = 31 *lei* and 20 *para*. In application to the law of 22 April/4 May 1867, the national monetary system was created in Romania. The national currency was the *leu*, and the *ban* (1 *leu* = 100 *bani*) was its subdivision. At the beginning, the *leu* was money of account; the parity was 1 new *leu* = 3.70 old *lei*. On 1 January 1868, the *leu* became the currency effectively in use.
 6. These are Gypsy categories. The *vătrași* (i.e., those of a *vatră* – a ‘hearth,’ or household) were the Gypsies living on the master’s estate. The *lingurari* (‘spoon-makers’) were Gypsies recently settled, and the *lăieși* (i.e., members of a *laie*—a ‘horde’) were nomadic.
 7. *Buletinul Oficial*, no. 13 (13 February 1856): 49.
 8. *Buletin*, supplement, no. 49 (14 June 1856): 97.
 9. Gh. M. Dobrovici, *Istoricul datoriei publice a României* (Bucharest, 1913), 43, 66.
 10. Dobrovici, *Istoricul dezvoltării economice și financiare*, 43.
 11. For these bonds, see *ibid.*, 79.
 12. Angelescu, 417.
 13. Dobrovici, *Istoricul dezvoltării economice și financiare*, 46.
 14. For details on payments towards the bonds issued in application of the laws of December 1855 and February 1856, based on information from the budgets of the two Principalities and later on of Romania, see Venera Achim, “Primele obligațiuni românești,” 268–277.
 15. Dobrovici, *Istoricul dezvoltării economice și financiare*, 59–61.
 16. *Ibid.*, 71.
 17. *Buletin* 24, 63 (5 August 1856): 249.
 18. Angelescu, 399–400.
 19. C. I. Băicoianu, *Istoria politicii noastre monetare și a Băncii Naționale*, vol. I/2 (Bucharest, 1932), 142. The National Bank of Moldavia was a private institution.
 20. Mihail Gr. Romașcanu, *Banca Națională a Moldovei* (Bucharest, 1932), 113–120.
 21. Dobrovici, *Istoricul datoriei publice*, 81.
 22. For the loan of 1861, see *ibid.*, 466–467; *id.*, *Istoricul dezvoltării economice și financiare*, 54–55; Angelescu, 404–405.
 23. Dobrovici, *Istoricul datoriei publice*, 467.
 24. In a telegram addressed to Prince Alexandru Ioan Cuza on 7 July 1861, Dimitrie G. Rosetti, the ad interim minister of Religion and Public Instruction at the time, was declaring that the State had been robbed in the contraction of this loan, since 6,000 ducats had been pocketed by some of his colleagues, including the Minister of Finance. Cf. Angelescu, 405, note 1, where reference to an archive document is made.

Abstract**Bonds Issued in 1856–1858 in Moldavia and Wallachia
in Compensation to Former Slave Owners**

The first Romanian bonds were issued in 1856–1858, in application of the laws of emancipation of the Gypsy slaves owned by boyars, adopted on 10/22 December 1855 in Moldavia and on 8/20 February in Wallachia. According to the law, the owners received compensation for their former slaves. Given the fact that the State finances had been exhausted, the slave owners were given state bonds, with an annual return of 10 percent in Moldavia, and 5 percent in Wallachia. The present study highlights some aspects relating to these bonds: the issuance of these bonds, the annual evolution of the nominal value of the bonds, the service of this public debt, with the principal and the amortization paid, the weight of the bonds in the State budget expenses etc.

Keywords

Romanian economy, finances, bonds, slavery, Gypsies