

## ANGLO-ROMANIAN ECONOMIC RELATIONS DURING THE REIGN OF ALEXANDRU IOAN CUZA

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### **Abstract:**

*It may seem that during the reign of Alexandru Ioan Cuza, England occupied the position of front-rank economic partner of the United Principalities. In what concerns its international economic domination policy, the United Principalities played a small role in the economic strategies of the City of London. However, the political complications from 1861-1865 have pushed British investors to seek new sales markets. Under these circumstances, the United Principalities have shown leadership as special provinces of the Ottoman Empire. The English showed an interest in investing in the credit system from Romania, the British capital of the Imperial Ottoman Bank giving rise to the establishment of the Romanian banks. Moreover, various credit institutions from Great Britain have received concessions for building the road and railway infrastructure from Romania. The current analysis focuses on one of the still unknown aspects of the Anglo-Romanian relations: that of the entry of British investments on the Romanian market in 1862-1866.*

**Key words:** diplomacy, economy, market, investments, finance

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### **INTRODUCTION**

If the Romanian diplomacy had to face the equivocal position of Great Britain in the political issues several times, in the commercial connections between the newly-formed state from the entries of the Danube and the powerful state, better relationships could take place. Although the International trade dominated by the British Colonial Empire had few commercial interests in the entries of the Danube, excellent contacts have been established between the two states. England wanted to say the word in that region, thus not allowing Russia the chance of dominating the trade on the large river. Mainly due to the fact that the big metropolis on the Thames was interested in the agricultural products from Romania as well as in the investments in the Romanian economy.

### **CONTENTS**

On account of the economic interrelationship, the English capital entered the market of the Romanian Principalities in two phases: 1859-1862 and 1862-1865. In the first phase, there appeared numerous English traders who were looking for thrifty bargains. Generally speaking, the international trade of Great Britain was the aim of a policy coordinated by the English state, but in many situations, the enterprising nature of the English traders entered everywhere on the Globe, thus also reaching the entries of the Danube. The aim of England's trade at the entries of the Danube and at the Black Sea was mainly the Ottoman market. The Principalities had become even from the beginning of the century the terminal point of this economic universe. Not only the traders who were looking for resources for England's economy, but also the investors from the metropolis on the Thames have been attracted by the Romanian area. The consuls from Iași and Bucharest and the vice-consuls from Galați or Brăila have informed the City of London about the economic capacity of the Principalities. However, the contacts have been desultory during the first half of the 19<sup>th</sup> century, as the investors were in search of a steady market and a reliable political party. During the first years of Alexandru Ioan Cuza's reign, the ruler had tried to show the Englishmen that the country was stable and that its economical weighting could be capitalized. Despite the concession given by Cuza to the Rodocanachi Bank from London, the capitalists from the City did not show

interest to invest in the Romanian market. The concession obtained in 1862 by the Rodocanachi Bank from London is revealing for the explorations of that period. It was rejected by the National Assembly. Neither the efforts of Vasile Alecsandri, authorized by the ruler to negotiate on the English market a loan even from the beginning of 1860 did not succeed (Zane, *Studies...*, 1980 p.224). Neither P. Mavrogheni did not manage to get the necessary loans for the construction of the railway infrastructure of the country. The English bankers always preferred Turkey and Russia, considered to be safer, which contributed to disappointment in Romania (Zane, *Studies...*, 1980 p.188-189). The internal difficulties stood in the way of obtaining the credits necessary for the economic development and for the construction of an infrastructure that could have backed up the first years of Alexandru Ioan Cuza's reign.

In the second phase, being obliged to look for new markets for investments due to the North American civil war, England has become more interested in the south-eastern European region. An economic crisis had broken out since 1857 in the United States of America and that had affected negatively the economy of the European countries for more than two years. The Principalities suffered even more than the occidental capitalist states because of its obsolete financial system and its economic structure. The financial reforms and the need of external loans found support and partners in Paris and London, both being interested in investing in the new market that was forming. Thus, The Imperial Ottoman Bank was founded and it was meant to target capitals in the region mentioned above. The reorientation of the British capitals had also the Principalities in view. It was also the Gate which showed interest to direct the British capitals to Bucharest, considering that thus it was another way of dominating the country which they called a common province of its Empire (Zane, *Studies...*, 1980 p.189). Talking of this, Dionisie P. Marțian declared that "lots of societies look out for the right moment to invade this country, whose land and people know way too few things related to industry and accountancy" (Zane, *Studies...*, 1980 p.190-191).

## THE NATIONAL BANK OF ROMANIA

But it was also the Romanians who had an eye to gain economical independence of the Ottoman market. Consequently, the initiative of embossing its own coin and of setting up a National Bank were priorities during the reign of Alexandru Ioan Cuza. The foundation of the Bank of Romania was one of his major concerns. There has been a branch of the Ottoman bank in Galați since 1856, called "The anonymous Society" that wanted to broaden to Bucharest. The English did not wish to miss the chance of such a financial investment, so they started negotiations with the authorities from Bucharest via the bankers Alfred Lomasc Powel from Galați and Henry Alexander Jackson from Bucharest. John Green did his best to back up Jackson. He had been interceding with the officer of state Arsachi to favour the English banker even since 1862.

Eric Winterhalder was one of the journalists professional in the financial field, who claimed in the Romanian journalism the necessity of creating a National Bank. He published various economic-financial articles in "The Romanian" (Balan, 2006, p.49) in which he promoted the interest of two British banks that ran in the land of the Ottoman Empire: London and Country Bank and Ottoman Bank (Zane, *Financial...*, 1973, p.283). In february 1864, the Romanian representative from Constantinopolis, Bordeau, managed to attract the business centres around the Imperial Bank. The older Ottoman Bank, founded exclusively of English capitals with the help of some Londoner banks, among which London and Country Bank, endeavoured to place funds in corporations from the Principalities, thus hoping to be able to dominate the Romanian market (Zane, *Studies...*, 1980, p.190).

The English examined the groups of external businesses from Romania and bankers from Great Britain to get some concessions for the negotiation of some loans from abroad and to capitalize the construction of the railway and of other public works in Romania. That is the reason why they were interested in the Romanian credit system and they encouraged the apparition of a banking system that could facilitate their investments. Jackson applied to Nicolae Kretzulescu and other foreign bankers to get a mandate for the negociations. Along with the Viennese banker

Adolphe de Herts, Henry Alexander Jackson received a mandate with a whole lot of empowerments of negotiating the deal (Zane, *Fiancial...*, 1973, p.315-316). On the 8<sup>th</sup> of April 1864, Alexandru Ioan Cuza gave the authorization to the two for the concession of a bank. He managed to get the subscription of the majority from the Assembly, claiming that Romania was as interested as the representatives of the two powers to draw in the Anglo-French capitals. The coup d'état of 2<sup>nd</sup> of May 1864 did not shatter the confidence of the Occidental financial centers in the potential of the Romanian state. However, as a result of the coup d'état of 2<sup>nd</sup> of May, the foreign bankers came with new claims, which were eventually accepted by the ruler. Furthermore, the urging that came from Tillos and Green, the diplomatic representatives from Paris and London continued, aiming at determining the Romanian ruler that it was in his interest to accept the offer of some Anglo-French bankers regarding the issue of dependency (Zane, *Fiancial...*, 1973, p.318,321). Negotiations tarried and it was only in 1865, after other offers have also been taken into consideration, that the one proposed by the two bankers Hertz and Jackson went in the ruler's favour. According to the regulations, the Romanian bank started with a capital of 40 million francs and it had a concession of 30 years. Adolphe Herts was the managing director, while Henry Alexander Jackson and Jack Löbel were deputy managers, forming together the Directorship of the Bank. Among other bankers who were part of the managing board, we will mention M. Pantazi and Elis Löbel from Craiova, who were in fact representatives of the English capital (Giurescu, 1966, p.296), A. Halfon, R. Baumgarten and Eric Winterhalder. The latter was close to Ion Ghica, Ion C. Brătianu and C. A. Rosetti and he was protruded by the managing board to keep in touch with the bankers from abroad in the event of Cuza's elimination from reign (Zane, *Fiancial...*, 1973, p.322). The Stern Bank had a significant contribution. The Group Stern from London won, Ludovic Steege being the Romanian representative who had analysed the financial groups from the capital of Britain and who accepted the Londoner offer. Neither the Ottoman Empire opposed in any way, the Turkish ambassador at London, Musurus, being informed by Aali Paşa to act accordingly. Actually, the Ottoman Bank from London was associated with The Stern Bank (Giurescu, 1966, p.300). The Bank opened branches at Bucharest and Galați and in 1865 it obtained the concession of the bank of emission, transforming the branch bank from Bucharest in Bank of Romania. Basically, the founders of the Bank of Romania are shareholders of The Imperial Ottoman Bank, whose owners were capitalists from London (Zane, *Fiancial...*, 1973, p.190). That year, the government led by Constantin Bosianu concessioned to some foreign bankers, among whom there were also Englishmen, the right to set up a Bank of discount and monetary emission in Bucharest. Afterwards, the Deputies' Assembly receded from the institution, which had become in the meantime "The Bank of Romania" the right of monetary emission, allowing it to take care only of the specific banking business (Nicolescu, 2007, p.312).

The Austrian economist Eric Winterhalder proved to be one of the greatest pleaders for the Romanian market. He used the radical Liberal publications to back up the cause of the national economy that had to separate from the foreign domination. He agreed that Romania had great agricultural potential but he reckoned that the country's economic independence could become reality only by the diversification of the economic branches. He asserted in the paper "The Romanian" that the Romanian economy had to count on agriculture, yet the contiguous industrial branches were the only means of offering the country an appropriate development. He considered that the economic progress of Romania could take place only by the creation of a national industry that could deliver the national market from foreign competition (Stan, 1998, p.128-129). Consequently, he opposed to massive loans, with the right of monopoly, which he considered "maleficent to the society and thus they bring industry to ruin" (Zane, *Studies...*, 1980, p.215). Furthermore, Winterhalder claimed the necessity of creating a national currency due to the retreat of the big sum of foreign money (Turkish, Austrian, Russian etc.) and repeatedly analysed the financial difficulties that came as a result of this situation in the Principalities. He gave many reasons for the necessity of withdrawing the numerous coins with little value on the market as they were actually hindering the ample investments. The aim of his deflating politics was to grasp a loan from the external market, mainly from the British financial centres, that could be guaranteed by a

national coin in gold standard. In 1863, he asserted that Romania “has this authority with no right to make an appeal, it has had it for a long time and though it did not make use of it for many years, it never gave it up” (Zane, *Fianancial...*, 1973, p.298). Eric Winterhalder also strongly affirmed in “The Romanian” the necessity of creating a national currency. The right to coin, as he mentioned, was a prerogative of the state autonomy and Romania had this right. During that period, the Romanian financial market was attracted by the British pound and the French franc, “which proved one of the distinctive signs of the Romanian economy during the years of struggling for the formation and organization of the Romanian national state” (Stan, 1998, p.144). Basically, the Austriac economist is considered to be one of the first analysts of the financial policies from the history of Romania.

There was a first offer for the coining of a national piece that came from the Bank Rodocanachi from London, but it asked for the monopoly of the emission of Romanian money. One year later, in 1863, via the bank house Mackenzie, also from London, the English bankers came with another offer that was slightly different from the first one. I. Polihroniade, the representative of the House Rodocanachi got a temporary agreement, but Alexandru Ioan Cuza, distrustful, opposed to it. Neither the offer from 1864 that came through The Ottoman Financial Association did not succeed. The talks continued till the end of Cuza’s reign, but the conflict between the “monstrous coalition” and the ruler who was backed up by his collaborators encumbered the achievement of this project and thus neither the Englishmen’s offer nor the other Occidental partners got to a consensus. The National Bank of Romania and the national coin were supposed to come into existence only after Cuza’s resignation and the change of ruler in Romania. However, via Rodocanachi, The Ottoman Financiar Association was accepted to invest important sums of money on the Romanian market with benefits for 30 years (Zane, *Studies...*, 1980, p.196,242-243).

### THE ENGLISH CAPITALS

The interest in the economic trade had become greater and greater among Romanians. Consequently, the concern of the young traders was again for London, the metropolis “the world workhouse”. “The Romanian Tribune” was militating “according to the customs of the organised and well-governed states” in favour of having public debates that the publishers could use. Various articles regarding the parliamentary debates on the budget of England have been published by the newspapers in Iași. As a result, we find out that England’s budget for 1861 was supposed to count 71 milliard pounds, correspondent to “142 million gold coins and even more” (“The Roumanian Tribune”, 1860, p.4). The debates on the economic issues meant the beginning for the future Romanian capitalists and England and its worldwide economy played an important role in this advent.

Concurrently, we can say that England and the English capitals have had a decisive contribution for the early beginnings of the construction of the road and railway infrastructure from Romania. On 8<sup>th</sup> October 1860, along with the secretary of state of the Romanian Country, I. I. Florescu, the consul of Great Britain in Bucharest attended the ceremony of the opening of the railway route Constanța-Cernavodă, which was built by English engineers. The whole audience of 120 people had a round trip on the route that links the harbour of Constanța to the Danube, on which occasion a banquet has been organised inside that inaugural train. On that occasion, the consul of England insisted on mentioning that the new railway was very important for the trade with the Principalities, as it connected the Danube to the Black Sea. At the same time, he suggested to the Romanian secretary of state to continue this railway in the Principalities. The superintendent engineer Liddell and his collaborators showed interest for a visit in the Romanian Country to see on the spot the technical conditions for building the railway.

Englishmen took an interest in investing in Romania and they sought information about the economic potential of the Romanian market. Just when the agreement concerning the loan Stern was being signed, an offer came from London for the investments in infrastructure. The representative of an English financial group, J. A. Staniforth proposed to the Romanian govern a

loan of 1.8 million pounds, refundable in three installments, for the urbanistic constructions from Romania. Moreover, two other houses from London, "Samuel Dobree and son" and "S.Stoebel and comp." were ready to offer in April 1865 a one million pounds loan for urbanistic work of sewage, paving and bridges. There was one more British offer that came from the house "Rodocanachi" from London regarding the licence for some public works, but it was rejected. In the meantime, the first insurance companies sprang in the country. Among these, "The Gresham" was an English company of life insurances (Giurescu, 1966, p.297, 302, 334,385).

Apart from this, in 1865 Cuza signed again a licence with the house Barkley for the construction of the railway on the route Giurgiu-Bucharest. They have brought into discussion a potential loan of 100.000 pounds on the English market for the licence of the route Bucharest-Buzău-Brăila to some English companies. Since 1866, Ion Ghica has become the president of the "Bank of Roumania" that was changed from the local branch of the "Bank of the Ottoman Empire" and it had mainly English capital. During that period of time, the government Ion Ghica has also leased to the company "John Trevor Barclay & John Staniforth" the right of building a railway that connected the Giurgiu Harbour to Bucharest. English financiers such as Ward, Crompton, Nathan Gilles and Barkley are not known anymore nowadays, but they represent the English capital that has been invested in Romania during Cuza's age.

England also played an important role in the industrial development of Romania. Costache Negri was a close friend of Alfred Lomasc Powel, an English industrialist settled in Galați, whom he visited in May 1860, on which occasion he brought into discussion the industrial development of the Principalities. In 1863, he brought an offer for the organisation of the credit system in the country. Also, the English consul from Galați, Ward, had signed three bank bills of 50.000 francs each with no name written on them, but whose payee was Cezar Librecht, who had purchased lands with the money he got from foreign financiers.

Various English factories from Bucharest were producing agricultural machinery and tools. One of the most known was Effingham Grant's, whose sister Mary was Rosetti's wife. C. C. Giurescu assumes that the name of the district from the north of Bucharest comes from the Grants. Of Scottish origin, Effingham built there a large workshop of assemblage and mending of agricultural machinery, being interested even in the setting up of an operators training school (Giurescu, 1966, p.364, 385-386). Effingham Grant has also been the editor of the political newspaper "Concordia", which favoured the "national party". Effingham Grant has been awarded in "The National Exhibition of Agriculture and Industry". He was given the silver medal for "his collection of machineries and mainly for the steam mill handled by men and particularly for his initiative of setting up the first foundry in the country and of spreading lots of foreign agricultural machineries" ("Opiniunea Nationale", 1865, p.3). Another factory of machineries and tools of English capital was "Clayton. Shttlewort et Companie" from Lincolnshire. It was located in Bucharest (Herăstrău) and it took orders of agricultural machineries for the Romanian market ("Unirea", 1861, p.144). Later, the company "Clayton" opened branch offices in the harbours of Tulcea, Giurgiu, Oltenița, Brăila and Galați ("Unirea", 1862, p.50). Also, the company "Richard Garredt and sons" from Suffolk opened its own agency in Bucharest (Dudescu alley), via Joan J. Ranner and it sold railway engines, steam mills and agricultural machineries ("Unirea", 1861, p.308). The Garredt workshops offered warranty and ensured various mendings of the sold agricultural machineries ("Unirea", 1862, p.130).

The economic relationships between Romania and England have been complex in various fields. Numerous Moldavian owners asked the consul Churchill to let the British business groups know that they were interested in purchasing cotton seeds. The Government from Bucharest was interested in the growing of this textile plant and it published in "Monitorul Oficial" (i.e. the official gazette) rules related to the upgrowth of this crop. C. Zanoni, an owner from Măxineni, the county of Râmnic, approached the general consul Green about this matter. Zanoni interceded with Green to inform "Cotton Supply Association Company" to provide the Romanian planters with the necessary seeds for the new crop (Giurescu, 1966, p.389-390). The new-born Romanian economic press understood the importance of the country's economic development and particularly the model

represented by England. In the first issue of the gazette “Mercuriu. Diuariu communal comerciale și industrial”, the publisher C. C. Trotenu was noting, “who does not know nowadays that England has become big and strong only due to its sea-borne trade and industry?!” („Mercuriu”, 1864, p.1).

The English engineer D. Hartley, a British representative to the European Committee of the Danube, was asked to coordinate the works of the road that connected Cotroceni to the centre of Bucharest, as it was floodable and often under water. Hartley was known as an “European name in this branch” („Opiniunea Nationale”, March 1865, p.3) and he was a close friend of C. Bosianu. Officer of state of the Public Works, he has worked with Hartley on a 490.000 lei („Opiniunea Nationale”, April 1865, p.3) project for the improvement of the lands and for the prevention of floodings. The English company Mess George Furness & Comp. with the central office in London had William Charlton as representative at Odessa, who had taken the lead of the granite paving of Galați („Mercuriu”, 1865, p.3).

## CONCLUSIONS

The birth of the economic market in Romania, the apparition of the credit and of the first Romanian bank, the first constructions of the road and railway infrastructure, the development of the Romanian industry and the intensification of Romania’s international trade should be correlated with the Anglo-Romanian economic relations. The reign of Alexandru Ioan Cuza favoured the extension of the economic collaboration with the most important commercial power of the world at that time. The short period of Alexandru Ioan Cuza’s rule was not enough for establishing some steady economic relations in all the fields of activity, yet the advent was made.

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