

## SOME CONCLUSIONS REGARDING THE HISTORICAL EVOLUTION OF FINANCE IN THE PRESENT TERRITORY OF ROMANIA

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*In the present article the authors are debating the historical evolution of finance from its beginning until its present. The importance of the theme is given by the fact that the appearance of finance was due to the appearance of the state, when the state treasury was confused with the welfare of the Lord, and when taxes are introduced for the first time.*

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### **1. Introduction**

If elements of economic and commercial nature, existed in the current romanian space of time removed, resulting - after developing the state and money - the emergence of the first elements of finance, about their financial relationships - we speak - with reference to our territory inhabited by the romanian people - just as when mainstream form of cash contributions, which chronologically puts us on the mid-nineteenth century, since the modern era<sup>303</sup>.

Therefore, the changes in the elements of finance – from the beginning of the first millennium - to **finance / financial relations** - equipped with a **real tax system** - in the mid-nineteenth century - is a long and complex process, influenced by the concrete conditions of society, the changes in social systems - economic, ideological and political trend.

The tax system contains all the financial funds in place, bounded on an economic level and links between these movements constituted financial resources generated by operations (also called financial flows). Fiscal relations ensures the funds, but their orientation, so fiscality is evident in the distribution process, by mobilizing the various channels of resources available to state, representing a part of the finance functions namely the allocation.

### **2. The historical evolution of finances in the present territory of Romania**

#### **2.1. The medieval period**

In a work entitled, „History of the Romanian public economy”, National Culture Publishing House, Bucharest, 1924, the author, George N. Leon says (page 11), „Financial History of Romania can not be studied only by the foundation of the principalities, because the Romanian people lived before them, with an organization determined by the conditions of existence of time. Whether we lived freely in some parts, whether they lived in dependence of other nations, he experienced a tax debt for us is a great interest to investigate the Romanian people with household public relations, whatever the latter was.

In the same work quoted by Professor George N. Leon, we have an overview of the obligations which it imposes the **Tatars** oppressed peoples of Eastern area, „he came from Russia .... a comissar to charge of regulation. He took the first of three children, one from the three carried it

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<sup>303</sup> Idem, page 12.

with him putting to slavery all unmarried people, men or women and all those who did not had how to gain life or pay the **capitation**. The remaining population was counted: small and great, rich and poor, old and young had to pay the same capitation of five skins: a white bearskin, a marten skin, the skin of a beaver and a ferret skin ... Mongolian officials came in, to change the tribute settlement and administration. They put one man to ten contributors, over one hundred one centurion, over one thousand and one mias who steals responsible for fulfillment of the capitation. Exception were only priests, monks and nuns”.

„A document from 1222 tells us that Andrew II, king of Hungary, nodded the Teutonic Knights the right to bring salt on ships on the Olt and Mureş River, saving them from the tax they pay to pass through Romania ( per terra Balcanum). This proves that the romanians, since the first half of XIII century, had organized a country economically, collecting customs duties which of course served to cover collective needs. It is beyond any doubt that in this period the needs of the princes is confused with the needs of the state”<sup>304</sup>.

## **2.2. The Principalities period**

Public expenditure were made to society, but were almost exclusively expenditure made by the Lord that was required to ensure the rule of law and ensure peace. He repress sight and force arbitrary, paid employment related to services for the Princely Court, supporting the Church and social establishments. Revenues are restricted areas consist mainly of its operation, the taxes mentioned above, changed from year to year or repeated in the same year with the change of the Lord. The Lord is the master and all his goods were between public property and private possessions of the prince no distinction confusing the state treasury.

Most people were peasants and lived in country villages as differentiated by the fall: the royal villages, monastery villages - donated by the Lord to the monasteries, with all obligations – the villages of Noblemen - donated noblemen, and free villages composed of free men, named „**Moşneni**” in Valahia and „**Răzeşi**” in Moldova.

The people who were not free were called „**rumâni**” or „**neighbors**” and were tied to the land, the estate or gentleman.

The „**rumâni**” have to his master, three kinds of tasks: the „bucket”, giving and labor<sup>305</sup>.

The „**buckets**” represent some of the products made by „rumâni” on the land of the noblemen due to grain for hay and live with different names: from wine yards, cowing etc.. The „buckets” were **paid** by free people, in size and structure, thanks to tithe for all products of the earth.

The **giving** is an obligation that was due only to beehives, sheep and pigs.

The **labor** is required to work without pay in farming, transport, to live, to repairing houses of the noblemen.

Outside sharecrop basis, free men were also forced to perform work on the estates of noblemen / prince / monastery, twelve days a year, and by the seventeenth century, this requirement had to perform a twenty four days a year.

In addition to free people, there were other categories of people, such as **courtiers**, „**călăraşi**”, „**hânsarii**”, „**darabanii**”, „**plăieşii**” and **hunting men**, they were royal retainers. Plăieşii were exploiting forests in exchange for the duty to guard the borders, darabanii lived and fed on royal seats in exchange for warlike service. In general, the various royal servants were various services in exchange for lowering taxes to the ruler and the noblemens.

Valahia and Moldavia were the grain yards of Turkey, hence feeding the Sublime Gate with grain, sheep and beef and other food providing the empire.

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<sup>304</sup> George N. Leon - „The history of politic economy at romanians”, National Culture Publishing House, Bucharest, 1924, page 17.

<sup>305</sup> I. Vlădeanu - „About pays and taxes. The tax.”, „Cartea Românească” Publishing House, Bucharest, 1925.

When the Ottoman Empire was at war, the principalities were obliged to send people to certain services, transport, building bridges and various other labor.

„The Hungarian entry into the country, conquered land was divided between different Hungarian families, making their joint property. But besides these owners are in the country a free people, native, who lived under her own organization, to enjoy various privileges and engaged in the cultivation of land (Romania), trade and crafts (chassis) and, finally, the crowd Slavs who lived to the owners and worked for the benefit of the master.”<sup>306</sup>

The current Romanian territory, but also in other areas / regions where Romanian living, social relations were feudal. Financial structures were rudimentary, characterized by arbitrary distribution of tax burden based on the principle of distribution of step in step, to family, without any economic justification. There is no regular collection or a real financial device, sound, financial structure of the relationship marked by the nobility, the church, clergy, by rule or royalty.

### ***2.3. The Middle Ages***

Given the fact that Constantin Mavrocordat was a gentleman who depended on the Phanariot „goodwill” of the Great Gate, „goodwill” that was ensured by substantial amount and because the Lord himself, certainly not during his reign, but while he hold his lordship, exploit the situation to increase his own wealth; it happened that the Lord himself violate some provisions of the reform, raising the toll of five to six times a year instead of four and even ahead of schedule.

To increase revenue, Constantine Mavrocordat was worried about the increase in the number of taxpayers, by abolishing in Valahia ( at 7.VIII.1746) and Moldavia (in 6.IV.1749) the serfs, not by releasing them, but to give fresh land release, which was they remain in a state close dependence on the noblemen.

From the Russian withdrawal from Moldavia (in 1812) and annexation of half of the territory, in conditions of generalized poverty, there was a number of significant migration of population: 400.000 inhabitants took refuge in Russia, 300.000 in Serbia and 75.000 in Bulgaria, so number of taxpayers is reduced drastically, leading the Valahian country with approx. 800.000 inhabitants, and Moldavia about 500.000 inhabitants.

In these conditions, the Valahian government ensured attracting new resources to the budget, after the Revolution of 1821, will resort to **loans**. Thus, Valahia is forced **to resort to loans from monasteries**, with interest of five thalers to bag a month, ensuring in this way, attracting the amount of 23.550 thalers (equal to 70,650 ROL). The Moldavia resorted to **loans from the noblemen**<sup>307</sup>.

### ***2.4. To the modern period***

By the introduction of the Organic Laws it took the first steps towards a modern tax system rests on the base. Thus, it was done to fix the state spending each year, they set the taxes and revenues to meet expenses, they established rules of collecting tribute and rules after the Treasury was to realize its activities.

The draft regulation is initially introduced some regulations on land tax (for the first time), as a direct release of land, and some tax regulations like stamp tax, which is pursuing two objectives on the one hand increase state revenues, and secondly, reduce the number of lawsuits pending.

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<sup>306</sup> George N. Leon, op.cit., page 40.

<sup>307</sup> Drept exemplu se poate da cazul căminarului Constantin Boteanu, care a împrumutat statul, conform unei chitanțe, cu suma de „150 lei, adică una sută cincizeci lei [...], în trebuința cheltuielilor țării, cu vadé de doi ani și cu dobânda legiuită și la împlinirea vadelei să i se plătească atât capetele cât și dobânda” (Enciclopedia României, 1936, pag.737)

These provisions - **the land tax and stamp duty** - will be adopted in the final text of the Regulations, due to the opposition of the noblemen.

### ***2.5. The modern period***

The change of regime in Russia by the end of 1917, Romania has asked the allies for collective security vaults by Moscow, guarantee granted to February 21, 1918. Despite this guarantee, Romania failed even to this day to recover than a tiny part of those values.

In this respect, the main aspects that characterize this period are:

In 1921, the government Averescu having as Finance Minister Nicolae Titulescu (between June 13, 1920 and December 16, 1921) will launch a series of laws (even a program), aimed at reforming public finances in Romania and unify systems imposition. Thus, the proposed reform of Nicolae Titulescu, passed by the Romanian Parliament in July 1921, contained several laws namely:

- **The direct contributions law, by the creation of progressive taxation on income**, it had an modern economic content, aiming to ensure some fiscal and social equity, based on a set of principles, such as requiring actual income made in the declaration taxpayer, progressive and proportional taxation, the introduction of the minimum taxable.

- **The progressive tax on wealth and enrichment of the war**. This tax should be levied on net wealth companies and apply the text of the law provisions, which were there any kind of joint stock companies, cooperative societies and companies limited by shares, including foreign companies limited by shares with branches in Romania.

By this measure, proposed by Titulescu nationalization policy with tax authorities, a policy of nationalization of the country's resources and private capital for the benefit of the community.

Also, this tax would affect the assets acquired during the war, those who have benefited from significant increases in their wealth or have achieved great wealth during the war, should contribute to state revenue with some of them. By law, revenues derived from the application of this tax was intended to liquidate damages of war and internal debt amortization. **This tax**, although acquired parliamentary approval **was not applied in practice**.

- **The luxury tax and turnover**, which is - at that time - new to the Romanian tax system.

In fact, it is a tax on gross turnover, including its base and other taxes hidden costs. The tax charge is based on the idea of a commodity, whenever it passes - by selling a hand to another (taxation, in cascade "or" snowball ", " tax on tax ").

- **The progressive inheritance tax** is a tax placed on the transfer of wealth will affect the gradual concession and property, according to its size.

In 1923, the Finance Minister function was occupied by Vintilă Brătianu, by adopting **the law direct taxes on income tax proportion** is achieved true unification of direct contributions. The new system of direct taxes was based on the idea of imposing real incomes made by individuals or companies. Tax effort largest banks way back, then trade and agriculture, and finally, the last position, with the lowest tax burden, industry.

### ***Brief overview of major tax and specific postwar period and the totalitarian state (socialist state)***

The highest yield tax is the tax on income population, which, according to the taxable base is divided into: income tax amounts and tax on non-agricultural income agricultural sources.

- Tax on non-agricultural sources is initially perceived, from workers, officials, scientists, letters and art, self-employed, artisans, merchants and owners of workshops. Imposition was personal, the tax for each person in the party who obtained income. For owners of workshops provide a global tax with progressive rates, to discourage and make them give up these activities. From 1972 to appeal the imposition of those paying distinguished by progressive rates. Some craftsmen who practiced walking activities the quarter due to a flat tax.

- Tax on income earned from agricultural activities was placed on the income of the cooperative, with remuneration of Agricultural Production Cooperatives and on their personal income households and households income on individual producers of the hills and mountains that was noncollective property. At first the imposition of rules is based on income so-called „middle-income” per square, livestock, differentiated the five groups of districts, depending on climatic and soil conditions. In setting take into account middle income category of land use: arable land, irrigated gardens, orchards, vineyards, meadows, forests, swamps.

Between 1969 - 1971, imposing income from farms has undergone many changes, the orientation of fiscal policy in this area is to discourage land tenure.

- Income tax on collectivist cooperative organizations

Handicraft cooperatives, consumer cooperatives and agricultural production cooperatives due to the state budget, a progressive tax, the installments, depending on the size of the income benefit base is actually made.

- The tax on collective farms land was charged in the period 1955 - 1968 and calculate the fixed amount per square of land, divided into five groups according to their quality. Since 1969 this tax was dropped, and replaced with a tax on the income of members.

- Tax benefit of joint ventures, much like commercial tax profit and dividend of enterprises established after 1995. The base tax benefit of joint ventures is determined by the difference between revenues and expenses, then to be taken is deducted from the reserve fund (5% of the benefit each year and 25% of capital invested). Annual taxable benefit so calculated was required to share 30%, and that was transferred abroad, there was a 10% tax.

- The tax on buildings is set for all types of buildings: houses, business buildings, commercial premises, institutions, etc.. and is supported by individuals and units of various forms of socialist, tax rates differ according to purpose buildings (0.45% - 1.50% of the building). The tax is paid in two equal half-yearly installments.

- Urban land tax is levied on land built and Non-built cities, belonging to individuals and legal persons. Tax is calculated in fixed amounts per square meter of land, depending on location and the use of the land. Budgetary institutions were exempt from this tax.

- Tax on land belonging to the state was about exclusive for state ownership of land.

- Tax on vehicles and animals was collected for individuals having mechanical or animal traction vehicles. The fee was determined based on engine capacity, the number of animals for traction and by the characteristics of the vehicles.

- Flat fees for use of public places are paid by individuals who sell goods, products or objects, in fairs or public spaces.

- Stamp duty fees are charged for natural persons and legal entities that use the services of the state, through its institutions: state arbitration, the State Notary, judges, etc..

- Tax on goods movement is an indirect tax placed on prices of goods of any kind, although the communist period is not recognized the quality of consumption tax. In fact, it was a tax on gross turnover with its known disadvantage, is applied in a single stage of making the goods, usually the manufacturer, the single tax type. He, however rise to the phenomenon of tax to tax because some materials, some parts, included in the cost of the new product to the purchase price which included the tax on the movement of goods. It applies to the wholesale price and vary according to industry types, from 0.50% to 22.50% aiming at an adjustment of yield on branches of national economy.

The tax on movements of goods are received from the cooperative organizations, during the recovery of agricultural products by units of the food industry. These products are bought at different prices depending on the source of supply, but prices were delivering unique manufacturing enterprises. The difference is paid to the state budget as this tax was not necessary for export goods and investment. The tax is due monthly, but paid decade, wages, or sometimes daily.

- Tax adjustment was introduced in 1970 aimed at removing excessive profitability, its economic content is the same as the tax on movements, but is charged in all cases to domestic production.
- Collection of net production by the company is a tax introduced in 1978, sat on the added value to the price of goods, which are calculated based on net production and other indicators of physical production and value, to encourage and stimulate a higher return businesses, without taking into account the economic base. Although it was recognized as an indirect tax levies to the company net production was a net turnover tax calculated by the analytical method, by adding added value features are redemption amount, asimilate their wages and benefits, taxes and other items Net income. The tax being another tax on gross turnover - that the tax on movements.
- Duties were imposed on imports and exports, in accordance with international agreements and conventions concluded by Romania as a country member of the Monetary Union and other countries were presented to the Customs Code.

### 3. Conclusions

The financial economy is an economy feudal regalian type field, in which state power is broken in pieces of many fiefdoms.

In the Middle Ages, the legal sovereignty and financial sovereignty - tax are charged by private individuals. In many medieval taxes there are **categories of taxes**. So there were: **the rights of lords for property** (tithe, quinquagesima); **and workers to individuals rights on people** (military service, labor, etc.); **the rights on acts of civil life** (on any property tranfer on inheritance, marriage, etc.); **the rights on the acts of trade and craft** (customs duties, taxes on guilds, etc.); **mint mark rights** and other rights of lords, the clergy and royalty.

All these rights, outside of military service, were not public but were private, particularly for the benefit of feudalism. As these requirements are only partly served the community and is paid mostly in kind and in labor, so they were not a tax but being as a **financial rights over the subjects**.

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