

## THE IMPORTANCE OF THE JURIST AND ECONOMIST GHEORGHE N. LEON IN THE EVOLUTION OF FINANCIAL SCIENCE

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*The economical-financial problems have always constituted a challenge for all the decisional factors at the state level and not only, thus the financial sciences – which also aim to regulate the relationships to create, assign and use the financial funds of the state and of the public institutions, destined to satisfy the social-economical needs of the society – recorded a great doctrinal interest.*

*Thus, a series of jurists and economists had understand the necessity and opportunity of knowledge in the domain of financial science, of the financial law, taking into consideration the fact that the difficulties which they have met at those times obliged them to take the responsibility to make every simple citizen and every person with political or administrative responsibility by the state understand the problems of public administration.*

*In approaching the given subject I have chosen to use some of the methods of scientific research, respectively: the historical method (financial science being presented succinct through the process of its evolution along the years), interpretation methods and a combination of quality and quantity approach, namely the method of analyzing archive documents and the studies of professor Gheorghe N. Leon.*

*In these contexts have asserted and developed himself in the university and political environment, Gheorghe N. Leon, having a rich activity of intellectual creation, approaching in his works the complex aspects of the science of financial law. Thus, starting with the rules and principles of this domain, Gheorghe N. Leon had realized a veritable incursion in the history of finances and in the theory of taxation, public and budgetary credit.*

*Analyzing a part of his scientific works, we can affirm that a personality with such a complex structure, like Gheorghe N. Leon is hard to define, but surely, through the prism of his works and through his long-lasting and rich scientific activity, his name can be mentioned among the personalities of the academic education in the domain of financial science.*

*At the same time we can affirm that in this actual period, when public finances represent an essential component of social-economical life of any nation, the scientific process of the most economists, the process of approaching notions and concepts specific to this domain was and remains fully justified.*

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The preoccupations of professor Gheorghe N. Leon in the expansive and extremely captivating domain of finances (of the financial study, in general) had concretized themselves in valuable works, appreciated by specialists, taking into consideration his great contribution in the development of the earlier mentioned research domain.

Spending most of his life with didactical activity, Gheorghe N. Leon have passed all its levels. After graduating at the Faculty of Law from Iasi (in 1911) he obtains his scientific doctor's title

in economical sciences at the University from Jena (Germany), in 1914, the subject of his work being the study of direct taxation in Romania („*System der direkten Steuern in Rumänien*”). The study is dedicated to the critical exposition of the direct taxation system in Romania, discussions upon the optimal tax liability, being often subject of specialty researches. His work was remarkable because of its coherence and its responsible approach of research upon taxes, considered to be privileged instruments of public expenses „(1)”.

We can observe that Gheorghe N. Leon was a part of the category of young people with high hopes aiming towards the Central and West-European social and intellectual model. In that period finishing doctorate studies at a University from abroad have constituted a guarantee for social success, for a career and even a certification of intellectual competences. On the other hand, an important role in the formation of the young Gheorghe N. Leon had his father, professor Dr. Nicolae Leon, former rector of the University of Iași (in 1918 and between 1920-1921).

The first part of his university career of professor Gheorghe N. Leon have started at Cluj-Napoca. At the beginning of the university year 1919/1920 of the University Dacia Superioră, Gheorghe N. Leon, who will become a great personality of the Romanian economical and judicial education, begins his teaching activity at the Faculty of Law from Cluj as a professor, working by the financial and statistics department.

Even though the researches of Gheorghe N. Leon were often in the attention of lawyers and economists – those refined observers of the special phenomena of Romanian economics and finances – there are only a few syntheses upon them, and some aspects, especially the works published before beginning his didactical activity remain without much study upon them. Generally those critics and people who embrace the scientific opinions of professor Gheorghe N. Leon publish only some general reflections which cannot fully cover his various studies. Because of these facts his work must be reevaluated and confronted with some contemporaneous value criteria, there must be a detailed study upon the not well-known or „ignored” aspects of the intellectual creation of Gheorghe N. Leon.

Among the first studies published by Gheorghe N. Leon there is a study from 1914 entitled *Bosnia and Herzegovina under the Austrian-Hungarian reign* (Leon 1914), dedicated to the analysis of the evolution of the earlier mentioned territory in the period of the Austrian-Hungarian dominance – an investigation considered by the author to be necessary from an objective point of view to know „what are we allowed to do and what not in the conquering battle against a nation which still has aspirations for free life and autonomy of existence” (Leon 1914: 3). In the same time, it can be useful for any country also the observation of the administrative organizing models or that of the economical sector approached by the „neighbor” reign upon the occupied territory.

For the beginning there are relevant those three directions established by the author and the scientific argumentation, respectively: the population, the administrative and political organization and the economical development.

The author Gheorghe N. Leon discusses the economical life from the mentioned territory, the eternal subject of the economical relations being actual in any moment and by any community. Taking into account that the judicial regulations are a part of the ordinance concept of the economical relations (and taking into consideration the judicial formation of Gheorghe N. Leon), one of the approached problems was one related to the interferences between the economical action sphere and judicial action sphere. The author introduces at that moment the possibility of an association between these two notions, with some many intersections even in the specialty literature or the practice of today, especially because in the same time with the evolution of economical-social relations, this has become an actual and interesting subject. This way appear the premises of analyzing this necessary association between the economical and judicial domain, association which always causes complex and different opinions. The author outlines with great talent the essence of this indissoluble relation between the two spheres, affirming, for example

that no one will be able to fully understand the agrarian life of a nation „without knowing the judicial principle upon which the law of propriety is based” (Leon 1914: 16), that no one will be able to reach the aspects of the commercial life in a certain country “without knowing the principles based on which it was created” (Leon 1914: 16).

After examining the case in study chosen by the author, namely: Bosnia and Herzegovina in the period of the Austrian-Hungarian reign there are accentuated the structural changes suffered by this and the realized progress.

In conclusion, we can affirm that the work of Gheorghe N. Leon represents an actuality in any moment because the sources and the understanding of the economical and social-cultural growth of a country are important factors for the definition of the development strategy of any society. On the other hand the factors and models of economical growth have constituted a preoccupation of the researches of all times.

In 1915 Gheorghe N. Leon publishes the work *Mining politics in different states and its relation to the mining politics in Romania*, affirming that „mining was always an important factor in the economical and cultural history of the nations”.

For the profound study about the complex and specific phenomenon of mining, the author tries to make clear the meaning of some notions, and to eliminate some contradictory interpretations he creates some definitions (for example, the author tries to define the general meaning in judicial terms of – mining activity, mining politics etc). The examination of the essential particularities of these terms from the mining domain continues to show interest not only from scientific point of view, but also from the practical point of view. This way, even nowadays the legislator outlines through the Law of mining „(2)” some legal definitions regarding for example to: mining activity, mining, radioactive ore, mining products, mineral resources etc.

Usually the state has an active role in the economical life. In our concrete case, regarding to the stimulation of validating the natural resources of the country, its interventional measures were composed by the creation of legal norms for the development of mining activity, the establishment of some institutions for mining education, taking some measures to assure transparency in the mining activity.

The author accentuates in this discussion another part of the problematic of mining, respectively the considerations of the interests of the state in this domain, accentuating that the following categories must be distinguished: interests of economical nature; interests of political-social nature; interests related to the private economical sphere; interests regarding to the national economy.

To offer for the specialists a perspective upon the ensemble of relations in the mining law, Gheorghe N. Leon – showing us a great documentation – outlines the historical evolution of these relations and of the systems of mining proprieties in different states (beginning with the system of Roman law and reaching some case studies from the English, French or Romanian law).

In every situation there must be clarified the aspects which are related to the interference between the object (the mineral resources) and the subject of mining law. Mainly, the above mentioned object could belong: to the proprieties of the surface (of the land) – the system of accession; to the state – the system of domain, the state owing the propriety rights upon the mineral resources, based on a collective title; to the „discoverer” – the system of concession.

The author states that in the matter of study of mining law from Romania we can discuss about three periods, respectively: the period of traditional laws (from the very beginning until the laws of Calimachi and Caragea), the period of written laws (from 1818 until Mining Law from 21 April 1895) „(3)” and that of the modern law (beginning with 1895).

The work of Gheorghe N. Leon contains for example a new element in the content of the Organic Regulations, namely the fact that the legislator is conscious about the need to assure the continuity of the mining of mineral resources taking into account environmental protection and the renewal of the environment in case that it is affected by the mining activities.

The necessity of promoting these ideas, admitted a long time ago, can be found everywhere. We can discover the actuality of this subject also nowadays, when, though there is a regulation frame which addresses itself to the resorting institutions, to mining operators, there are difficulties signaled in taking responsibility in the matters of the environment (for example in rehabilitation of mines etc.) and in the matters of registering the environmental degradations caused by these activities.

After a critical analysis of the Romanian legislation in this domain, the author suggests some measures to make more efficient the reform process in this sector, like: promoting the principle of free mining; promoting the system of concession, but a concession realized by respecting of some special regulations adopted in this matter; the institution of mining monopole; administrating mines as a propriety of the state and developing mining activities through particular companies (renting); the institution of the possibility that the state owns a part of the profit (represented by its rights for the benefits of the concessions, resulted from mining) or taking part from the mining activity, not only by benefits.

Proves of his constant preoccupation and even of his passion in approaching the problems from the domain of mineral oil are his works *Romanian oil and the new law project of mining* (Leon 1943: 303-313), respectively *Romanian oil and the politics of the state*.

Taking into consideration the appreciations of the time, according to which the legislation of mining from 1929 must have been modified, Gheorghe N. Leon in his work *Romanian oil and the new law project of mining* presented his own arguments for realizing these steps.

After serious theoretical and practical observations „(4)”, which were scientific discussed, the author presented the situation of the oil mining operations. Showing a great knowledge in the discussed domain, he was pleading for the modification of the law project of the judicial frame of the moment. The idea of reformation of the special regulations from the oil mining domain was based on economic (and also politic) realities of the country. Practically, there was a necessity of approaching under different complex and objective aspects of the politics of the state in the matter of oil mining. In the authors opinion the general directions of this politics must follow: „to assure the production sources and to assure the national security in the hands of the state, for the benefit of the nation; to create some resources for the necessities of the future; to assure the control of the state upon mining and oil industry” (Leon 1943: 304). Gheorghe N. Leon felt himself responsible to draw the attention of his contemporaries upon the fact that in states like Mexico, U.S.A., England, in the mining zones of *British India* and *Netherlands India* there was a unitary politic in this sector, and respectively one to assure „the ownership of the oil resources” for the conational under the control and guidance of the state (Leon 1943: 304). This measure directly aimed the participation of the nation by the resources of the country and it was in great balance with the necessity of preventing and fighting the forced and uncontrolled exploitation of some limited natural resources. Even more, the economists and politicians representants of this power had a great fight to create strategic reserves to assure future needs, the history of fighting for oil revealing us the fact, that one of the applied strategies was buying territories and of concession of mining of the territories belonging to other states. Even the American president Warren G. Harding – 1921-1923 – promoted the formula „Exploit as much oil as you can from other countries” (Leon 1943: 306).

In these circumstances, the author affirms with conviction that the new law must create a connection between oil mining politics on one hand and the politics of the state, on the other hand. The national priority is to assure some responsibilities in the matter of sustaining an intense participation of the national capital by the mining and distribution of oil, under the control of the state.

In 1918, the proof of the power of the scientific-practical thinking of Gheorghe N. Leon is materialized under the form of a rich study upon expropriation – his research being important even in the conditions that the analyzed institution appeared as a restriction of the right for

propriety. The work contains an exposition and an analysis of the doctrine and legislation in the matter of expropriation, the author suggesting for those who are interested a useful working instrument for the solution of some problems of the sensitive field of the special ways of giving birth to the proprieties of the state (this way we can mention requisition, confiscation, vacant successions etc).

In the text of the work there were developed and explained general notions regarding to the right of expropriation and some scientific ideas developed by the author related to the judicial justifications of expropriation or related to extent of the compensations. We must outline the fact that along the time in the literature of this domain there were announced a lot of definitions of the notion of expropriation, but the dominant conception was that expropriation was an „intervention” in the sphere of private law, especially regarding to propriety rights. Even more, this intervention was considered to be an administrative one. We also mention the fact that only through a legal disposition could a propriety right be restricted, but the concrete cases of expropriations could be established by the administrative power, in some limits established by law.

In 1918, continuing to observe the social-economical evolution and analyzing the financial problematic, Gheorghe N. Leon published the work *The financial problem and the matter of money*. We must also mention the professionalism and dedication of the author by dealing with this subject, which brought him the well-deserved acknowledgement, the work being awarded by the Romanian Academy (Leon 1930: 304).

Synthesizing the objectives treated by the author, we can point the central idea of the study and namely the existing relation between currency and public finances. In addition, there was discussed the solution to mobilize the soil – declared by some specialists of the time to be a saving one to dissolve the financial crisis.

In that moment the actuality of the subject was perceived also related to the negative impact of the World War upon the budgets of the belligerent states.

In the opinion of the author the preoccupations of the politicians with attributions in the domain of public finances must aim the preservation of the normal limits of currency emission and of accumulating gold to cover the existing currency. Besides, cautiousness in the matter of currency politics was and remains an essential characteristic, because the appearance of a currency excess generates negative effects like inflation etc. A substation importance in the study is represented by the presentation of the key-moments of the evolution of the currency system, because the anterior experiences can contribute to its future efficiency. This way, respecting the limits of an objective analysis, the author presents the continuous success or in other cases the recognized failure of some currency systems, like: the system of John Law – beginning in France in 1716; the reform project of Jacques Necker – in France 1789 etc.

Also related to currency politics we must observe that the author offers special attention to the fighting of the tendency of some doctrines to confuse two different notions: one being *currency* (money) and the other being *credit*. It is presented and proved through arguments a part of the economical theory and practice, which can be framed in the etatist school, for example the conceptions of Walter Federn or of Georg Friedrich Knapp etc.

The observations of Gheorghe N. Leon related to the functions currency standard can be sustained even nowadays, because regardless of the acceptance of money, its roles are concretized as: instrument of transactions; standard of values; reserve of values (Basno, Dardac and Floricel 2003: 8).

On the other hand, the author suggests that currency has a key position in the functional mechanism of the economy and related to the currency system, reflects upon the benefits of the currency system based on the standard of gold.

The conclusion of Gheorghe N. Leon was that, the *fiduciary currency* had no capacity to eliminate or reclaim the effects of a financial crisis, because to sustain the system of public finances there is a need for real and not fictive values.

In the virtue of the sharp correspondence with the social-economical and political realities, Gheorghe N. Leon considers to be opportune the exploitation of the ideology of socialism in comparison with the accentuation of the model of individualism – these two notions being established through the prism of the impacts which these have upon the economy. The professor shared his conceptions related to the economical-financial principles of the socialist doctrine in the content of two works: *Socialism and economical individualism* and *Public administration and socializing*.

Gheorghe N. Leon, a personality with mature economical thinking, presents himself opened to embrace the possibility to solve the problems of the state with the help of social politics.

Keeping the same idea, through the prism of the diversity of the problems of economical life with which the state had to confront in the inter-war period and which limited its development, professor Gheorghe N. Leon proposes a concrete study upon the concepts of *public administration – private administration*, namely upon the phenomenon of *socializing* (nationalizing).

Thus, in his work *Public administration and socializing* the author attributes to the private administration (private domain), beyond abstract theoretical notions, a great importance for the existence of public administration. In reality, a large part of the incomes of the state is originating from taxes and fees upon particular incomes.

From he study it is clearly outlined the conclusion that a dangerous factor for the prosperity of the collective can be constituted by the „elimination fight” between public administration and private administration – in the opinion of Gheorghe N. Leon, it would be ideal the co-work of these two sectors (public-private) for the general benefit of the nation.

To have a complete imagine upon the implication of professor Leon in the study of the essential characteristics of the Romanian economy and finances, we must also mention his works *The history of public economy in Romania* and *Elements of financial science* through which there are outlined a series of principles of regulations from the studied domain, which are systematized by the author, illustrating this way the normative fundament of the economical-financial life.

The professor had a great contribution related to the presentation of the historical evolution of the Romanian public finances, publishing the work *The history of public economy in Romania* in a moment when the financial history of Romania was not well-known.

Structured on two parts (Part I *Public economy by Romanians before the foundation of the Participates* and Part II *Public economy in Muntenia and Moldova from the foundation until XVII century*) the work deals with the natural evolutional process of Romanian finances (the system of expanses and incomes, for example the system of services, domain incomes, customs etc). In choosing the subject, the author uses also his own experiences with the difficulties to create exhaustive documentations of a lecture of financial law for the students from Cluj „(4)”, because of the lack of some detailed researches in the domain of history of Romanian finances – this way he tried to cover the well-know lack, in university education, of some bibliographic sources elaborated for the above mentioned problem.

The complex sphere of public finances was presented in the work *Elements of financial science*, the first Romanian study of financial science, in which, based on some detailed researches the author realized: *in the first volume*, a history of public finances, a presentation of its structure and the evolutionary perspectives of the public incomes and expenses and also a sketch for the announces reform in the system of indirect taxation, and *in volume II* there are conceptual clarifications upon the notion of budget and its executions, namely upon the notion of public credit.

Under the prism of his own research and processing methods used in his works, Gheorghe N. Leon in his work *How to write a book. With special attention for political economy*, militates for analyze and synthesis, induction (based on observing facts) and deduction (based on the generalization of the consequences of some actions), statistical method etc. Furthermore, the professor reveals the fundamental importance of the research methods in the scientific process, stating that: „the method is indispensable for scientific research. Without its help, the most elementary truths can avoid our attention. No one must rely on his good senses, on the brightness of his own intelligence... because one can easier succeed with not so much intelligence, but prepared with a good method, as with a bright intelligence but without any method”. Undoubtedly our study cannot cover the multitude of researches developed by professor Gheorghe N. Leon, of the controversies and common opinions related to the revealing of the importance of his works in the development of the Romanian economical-financial sciences. But by mentioning in our discussion a part of his works there are outlined a series of theoretical and practical aspects presented by professor Leon in an extremely captivating and important domain.

#### Notes:

„(1)”We must mention the existence of an objective review of the work, realized by a professor of University from Vienna, E. H. Vogel who had written: „In his interesting critical conclusion upon the taxation system from Romania, the author proves that the indirect taxes in an agrarian state like Romania are very variable, because of the relation of climate and crop, and because of it the disproportion between the incomes of direct and indirect taxes announces a need for a reform of direct taxation. The praiseworthy work offers us an interesting view in the matter of taxation research from Romania and not only and it is a literature full of value” (Leon 1930: 3-4).

„(2)”Art. 3 from Law No. 85 from 18 March 2003 – law of mining, published in the Official Monitor of Romania No. 197/27.03.2003, with the ulterior modifications and completions.

„(3)”The mining Law from 21 April 1895 was important for the development of the mining industry in Romania, organizing mining activities, offering guarantees for the invested capital. Following the argumentations of the legislator it is outlined the idea that the exploiting of mines, the creation and development of the different industries from our country made it necessary to adopt this law. Only by establishing, offering guarantee and regulating the relations between capital, the owner of the territory and the specialists of the domain, we could hope in the development of mining.

„(3)”Gheorghe N. Leon mentions that his was sent abroad by the Institution of Geology from Romania (under the management of prof. L. Mrazec) to study the problem of mineral oil related to the economical and political interests of the country.

„(4)”The professor had taken into consideration the creation of the work *Elemente de știință financiară*.

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