

GOLD COINAGE. CASE STUDY: ROMANIA AND REPUBLIC OF MOLDOVA**Cristian C. POPESCU***Faculty of Economics and Business Administration, "Al. I. Cuza" University of Iasi, 700506, Romania
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ionel_bostan@yahoo.com***Abstract**

This paper is a qualitative study in which we aim to show the role of the National Bank of Romania (NBR) in precious metal currency issuance, both during the modern period, when gold was a monetary standard, and in the contemporary one, when the issuance of such currency only carries a numismatic and commemorative role. We have carried out an evaluation of such currency issuances after 1990, trying to highlight the commercial interest that they have initiated. In the case of the Republic of Moldova, obviously, we take into consideration the period after the year 1991, when this country became independent. The data that we have used comes from NBR statistics and from National Bank of Moldova (NBM), as well as from other monographic studies and documents.

Key words: *bimetallist standards, gold coins, medals, numismatic issuances.*

JEL Classification: *E59*

I. INTRODUCTION: "GOLD" METAL, SAFE ASSET

Gold has always been a preferred form of placement and hoarding. As Mundell claimed (1968), gold was "the anonymous monarch", giving birth to passions, raising or decaying empires, destroying characters or managing lives. What is more, it had determined humans to want it. As a result, as long as golden coins were used, their owners showed their preferences to hoard them. The phenomenon has been so obvious that it has led to the formulation of a law, currently known as Gresham's law: "bad money drives out good money" (Rothbard, 1990). The official withdrawal of golden coins from the circulation has raised the population's interest in their purchase. They have remained the individuals' placement preferences as they have got an additional value, the numismatic one. This is why even after central banks had given up on the gold standard, they continued to issue anniversary gold or silver coins periodically. Quite fairly, the debated metal is considered one of the safest assets (Cinel *et al.*, 2013; Wang *et al.*, 2011). First of all, it can solve the problem of saving, namely protection against hedge inflation (Beckmann and Czudaj, 2013). Then, gold significantly decreases portfolio risks. There are many studies that have tried to establish the minimum contribution of the gold stock in a balanced portfolio. Brunos and Chicarini (2010) calculated that 10 % of a portfolio must consist of gold and oil, and Klement and Longchamp (2010) considered that only gold should hold between 5 and 10 %. Older papers, such as Chua *et al.* (1990) suggested that even 25 % of the portfolio should consist of gold. Thus, gold is the best hedge and a safe haven under circumstances of changing stock market volatility (Hood and Malik, 2013). Other papers (Sherman, 1982; Davidson, 2003) consider that generated benefits from using gold as a diversifier are maintained and even increase in periods of severe equity market distress.

II. BRIEF HISTORY REGARDING THE GOLD COIN ISSUANCE BY THE CENTRAL BANKS OF THE ANALYSED STATES

In 1860, prince Alexandru Ioan Cuza tried to adopt the first national golden coin, the romanat, equalling in value the French franc, namely 0.29 g gold. International politic support came through Napoleon the 3rd, who initially agreed on the idea but subsequently, due to political motivations, abandoned the project, and Cuza, in his turn, had to give it up under Ottoman pressures (Hitchins, 1996). As a result, the first gold coin issuance from the modern history of Romania occurred in 1870, based on the Law regarding the setting up of a new monetary system and for the issuance of the national currency in 1867 (BNR, 2015a). This law, though it established that the silver leu (national coin) was the basic monetary unit in Romania, "five grams silver, of which 835 from 1 000 pure silver and 165 of 1 000 alloy", also allowed the issuance of gold coins, with the value of 20, 10 and 5 lei (rom). The issuance was made by the State Mint, established on the 24th of February 1870 and consisted of 5 000 golden coins of 20 lei (rom), with the figure of the king of that period, Carol I, on

the obverse. It was a bravery act, as at that time, Romania was still under Turkish suzerainty and did not have the right of displaying its own insignia. Also, as a result of the Ottoman representatives' protests, the State Mint interrupted the issuance until after the recognition of the independence at the Berlin Congress. The State Mint's most prolific period regarding gold coins issuance was between 1879 and 1885 (BNR, 2009). As the bimetallic standard of the leu especially started raising speculative problems, in 1890 Romania adopted the gold standard through the 1890 law (BNR, 2015b). Meanwhile, the State Mint passed under the rule of the newly established National Bank of Romania (1880) which, through the 1880 law, gained exclusive rights to issue coins and bank notes. In parallel, bank notes came into use and, slowly yet steadily, gold and silver coins were withdrawn from the real monetary circuit. The First World War speeded up this process. Once again, in order to prevent speculative activities, NBR limited the leu's convertibility to gold and strengthened its gold reserves. Thus, nearly the whole quantity of gold coins was withdrawn from circulation and replaced by bills or divisional currency of invaluable metals. Expenditures caused by entering the war triggered high inflation rates and, as a result, through the 1917 Law, banknotes' convertibility to gold was suspended. This was the end of gold currency circulation in modern Romania. Ever since, the only gold coins issued by the National Bank have been anniversary or commemorative ones, with numismatic value. The leu has periodically regained its convertibility to gold (through the 1929 monetary law), but circulating gold coins have not been issued. Regarding the gold coin issuance by the National Bank of the Republic of Moldova, we take into consideration the period after the year 1991, when this country became independent.

III. NUMISMATIC ISSUANCES

It is possible that the first issuance of this type was "Our Ardeal" medal (in the case of Romania). It was part of a larger project called the Loan of National Recovery, which aimed at covering expenditures caused by the 12th of September 1944 Truce (BNR, 2015b). One side of the medal (Figure 1) featured the three rulers that were considered the "unifiers of the state": King Michael the 1st, Ferdinand the 1st and Michael the Brave. The other side featured the Aquila with the coat of arms of the Transylvania counties, reunified with the mother land.



Figure 1 - "Our Ardeal" Medal

(Romanian coins, Bucharest, 2015, <http://www.romaniancoins.org/roardealulnostru1944>)

The issuance value of this medal was equal to the French napoleon (gold coin of 20 French francs). In the vulgar tongue, it was known as "cockerel", inspired by the head of the Aquila on the reverse. When the communists came to power, anniversary gold coin issuances were discontinued. It was only in 1981 that the NBR was authorized to issue gold and silver coins to commemorate 2050 years since the creation of the Dacian state (State Decree no. 344, 1981). Gold coins had nominal values of 1 000 and 500 lei (rom), and silver coins of 100 and 50 lei (rom). Subsequently, the issuance series was interrupted until 1995, when the newly reformed Bank of Romania decided to return to the tradition and issued the first anniversary silver coin in the contemporary period, dedicated to the 50 years celebration since the creation of the FAO. The first golden coin was issued in 1998, to mark 150 years since the 1848 Revolution. The series that followed is presented in Table 1.

Table 1. NBR's 10 most important anniversary coin issuances (Gold, composition: 999.9/1000)

Issuance year	Denomination	Nominal value (lei rom.)	Weight (grams)	Number of units
2014	Gold coin dedicated to the 130 th anniversary of the first law passed to build a National Cathedral	200	15.55	600
2011	Coin set dedicated to the 625 th anniversary since the sovereignty of Mircea the Elder	200	15.55	250
2010	Gold coin dedicated to the 135 th anniversary since the birth of Queen Marie	100	6.45	1 000
2010	125 years since the recognition of the autocephalous Romanian Orthodox Church	200	15.55	1 000
2010	130 years since the establishment of the NBR	200	15.55	1 500
2010	Gold coin dedicated to the 160 th anniversary since the birth of Mihai Eminescu	500	31.10	500
2009	190 years since the birth of N. Bălcescu	500	31.10	500
2009	Gold coin from the set dedicated to Vlad Țepeș, celebrating the 550 th documentary attestation of Bucharest	500	31.10	250
2009	Gold coin dedicated to the 170 th anniversary of king Carol the 1 st 's birth	500	31.10	250
2009	Gold coin dedicated to the 150 anniversary since the unification of the Romanian principalities	500	31.10	250

(Economica.net, Bucharest, 2015, <http://jurnalmm.ro/banca-nationala-a-vandut-monede-de-colectie-de-aur-si-argint-in-valoarea-de-zeci-de-milioane-de-euro/>)

Figures 2 and 3 show images of the two commemorative coins that, in our mind, are the best from all points of view, chosen by the authors of this article.



Figure 2 - Gold coin dedicated to the 130th anniversary since the first law was passed to build a National Cathedral

(Epinononda, Monede commemorative, Bucharest, 2015, <http://epaminonda-epaminonda.blogspot.ro/2014/11/ro-m-on-76.html>)



Figure 3 - Gold coin dedicated to the anniversary of Mihai Eminescu's 160th birthday

(Romanian coins, Bucharest, 2015, <http://www.coins.ro/comemorativ/2010/moneda-aur-BNR-500-lei-2010-160-de-ani-de-la-nasterea-lui-Mihai-Eminescu.php>)

Until October 2015, NBR has made 208 numismatic issuances, of which 79 were gold coins (BNR, 2015a). The value of the issuances overpasses 50 million lei (rom), nearly 12 million Euro. We should note that this was the value of the first transaction. The actual market value is much higher, surpassing 30 million Euro (Economica.net, 2015). One of the best placed coins in the contemporary period is the one dedicated to Vlad Tepes, which is traded on the numismatic market for sums between 2 500 and 3 000 Euro, namely up to 2.5 - 3 times more than NBR's

selling price. The evolutions of these prices justify the high interest in the purchase of gold coins issued by NBR. The yields of such assets can sometimes be higher than 20 - 30 % per year, which significantly surpasses the average yields of ordinary gold or other financial-monetary assets. In the case of Republic of Moldova, considering the evolution of the legislation of this country (BNM, 1996), the most important issuances of commemorative coins of the National Bank of Moldova (NBM) – in gold – are reflected in the below Table (2).

Table 2. NBM's 10 most important anniversary coin issuances (Gold, composition: 999.9/1000)

Issuance year	Denomination / Series	Nominal value (lei mold.)	Weight (grams)	Number of units
2015	Constantin Stere - Writer, series „Alley of the Classics”	100	7.80	300
2014	Nicolae Milescu Spătarul - Chronicler, series „Alley of the Classics”	100	7.80	300
2013	20 years from the issuance of the national coin in Moldova	200	15.55	1 000
2013	Adrian Paunescu - Writer, series „Alley of the Classics”	100	7.80	1 000
2012	555 years since the enthronement of Stephen the Great and Saint	100	15.55	1 000
2011	Bogdan Petriceicu Hasdeu - Writer, series „Alley of the Classics”	100	7.80	300
2010	Doina and Ion Aldea-Teodorovici – two twin hearts, series „Personalities”	100	15.50	300
2010	Grigore Vieru - Writer, series „Alley of the Classics”	100	15.50	300
2009	Moldova - 650 years	200	24.90	1 000
2008	Dimitrie Cantemir – 335 years from his birth	100	7.80	1 000

(BNM, Monede jubiliare si comemorative emise de Banca Nationala a Moldovei, Chisinau, 2015, <https://www.mobiasbanca.md/monede-comemorativ-BNM>)

Figures 4 and 5 show the images of two commemorative gold coins, the most significant, and issued by NBM.



Figure 4 - Gold coin dedicated to the anniversary of 20 years from the issuance of the national coin of Moldova
(BNM, Monede din aur si argint emise de BNM, Chisinau, 2015, http://www.bnm.org/ro/coins_available/)



Figure 5 - Gold coin dedicated to the anniversary of 555 years since the enthronement of Stefan the Great and Saint
(BNM, Monede din aur si argint emise de BNM, Chisinau, 2015, http://www.bnm.org/ro/coins_available/)

IV. CONCLUSION AND SUGGESTION

NBR has an experience of more than 145 years of golden coins issuance. Although the issued quantities were not very significant, they defined some monetary practices that were in vogue during the second half of the 19th century. Subsequently, with the renunciation to gold-silver or gold standards, NBR interrupted the issuance of any kind of valuable metal coin for a long period of time, with few exceptions such as the one in 1981. After 1990, more precisely starting with 1995, NBR resumed the series of special anniversary issuances. The same situation also occurred in the Republic of Moldova. However, here the history is shorter in terms of state independence. The gold coins issued by NBR and NBM during the last two decades have proven to be a good investment, their value being given not only by their gold content but also by the numismatic interest shown by collectors. High yields of placements in these assets maintain a dynamic market. As a result, National Bank of Romania and National Bank of Moldova should continue such issuances. But, as the value of each good is strongly related to its scarcity, the number of units per issuance should remain low; otherwise, the numismatic value added to the gold value itself might be lost.

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