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## HUMAN FACTOR IN DISCOUNT COMMITTEE ACTIVITIES OF THE NOVGOROD CITY PUBLIC BANK

Throughout all the pre-revolutionary city public bank activities in the Russian Empire (19<sup>th</sup>- beginning of 20<sup>th</sup> centuries), bill operations remained one of the weakest points. Though the profit from these transactions was much bigger compared with protested ones, the latter was still high, sometimes reaching 10-15 thousand rubles, which exceeded 10 % of all discounted bills amount.[1]

This situation represents not only affairs conducted by boards of city banks, but also operations of the Discount Committees, specially designed to control the reliability of bills submitted for discounting (Article 15 Public Banks Regulations). The Discount Committees were created not only as bodies, limiting the arbitrariness of city bank management carrying out discount operations, but also as a consultant of bank boards that could under circumstances not know its numerous customers affair state.

The Discount Committee had broad powers within the prescribed tasks. Any bill dishonored by the Committee, could not be accepted, even by the Board of the Bank (Article 73). Moreover, members of the Discount Committee were not obliged to report on the reasons for refusal (Article 73). However, all its rights were truncated because the members of the Discount Committee were elected by the City Duma from **among** merchants of the first and second guild or other persons having the right to vote in elections (Article 15). Accordingly, deputies (**glasny**), most loyal customers of the bank, tried to choose members of the Discount Committee the Board of the Bank would approve.

However, the City Public Bank Regulation of 1883 tried to limit the penetration this body of the bank management by certain categories of people, who could be interested in work of the Discount Committee and operations with bills. Neither the mayor nor the members of the municipal government, neither the Secretary of the City Duma, nor the members of the municipal authorities, could enter the Discount Committee (as well as relatives or people working for the same trading company, relatives of the bank Director or his deputies).

But the Discount Committee might work under pressure because Discount Committee members were customers of the bank, and the Board had the right to refuse accepting bills already examined by them (Article 73). Moreover, meetings of the Discount Committee where the reliability of discounted bills was discussed were held under the chairmanship of the Director of the Bank and one of his deputies. Thus, the decision of Discount Committee was not fully independent.

On the other hand, it was impossible to exclude completely the appearance of understandable errors in work of the Discount Committee made in connection with the poor competence, especially if the bill of a non-local client was examined. In addition, abuses might have taken place. The latter situation can be illustrated by

the following case: almost immediately after the establishment of the Discount Committee under the Novgorod Public Bank on 6 July, 1882 a local merchant N.N. Dorrer complained against the members of the Discount Committee who refused to accept the bill with his «form» of 500 rubles, even though his fortune was estimated at 30 thousand rubles, real property was not mortgaged, and who had always been a sound customer of the Bank.[2]

The Discount Committee members kept silent in accordance with their right under Art.74. Local newspapers explained this decision by the fact that the Committee included the merchant G.A. Voronov, who was rather on bad terms with N.N. Dorrer.[3]

The same situation happened when in 1884 the Borovichi Bank Discount Committee refused a promissory note loan to two persons, although the non-mortgaged property brought them up to two thousand rubles income per year. However, those customers considered trustworthy by members of the Discount Committee, could get a loan exceeding the limits of their credit even by 200-300 rubles.[4]

The deputies (glasny) of municipal Dumas, who elected members of the Discount Committees, had no illusions about the way of conducting affairs in this body. This can partly explain such a long resistance of the Novgorod City Duma to establish the Discount Committee in a local bank. Deputies considered it to be unnecessary appendage to the Bank Management which was completely dependent on them. They believed the Bank Management would not check the reliability of the bills, and would accept bills «from husband to his wife, from wife to her husband [5], etc.

Indeed, the governmental audits constantly revealed cases of violation bills reliability assessment after the introduction of the new reformed Urban Public Bank Regulation (1883) as well as before it. In the press of that time including periodicals in Novgorod Governorate you could often find news about the mutual influence of bank employees and deputies of municipal Dumas.[6]

Though, after introduction of the Discount Committee in urban public banks protests of bills did not stop, however, their number considerably decreased, what showed undoubted usefulness of the body, in spite of all possible faults.

## NOTES

1 – RGIA. D 583. R. 2. F. 564. Reports on the activities of the Novgorod City Public Bank. F.977-981. Reports on the activities of the Cherepovets City Public Bank.

2 – GIANO. D. 104. R. 1. F. 305. On Establishment of the Discount Committee under the Novgorod Public Bank for Assessment of Bills Reliability. P. 54-55.

3 – Novgorodsky listok. 1882. № 37. 6 July.

4 – RGIA. D. 583. R. 2. F. 90. Activity reports of The Borovichi City Public Bank. Part 2. P. 20.

5 – RGIA. D. 1287. R. 9. F. 1414. Newspaper articles about city public banks. P. 35. Novoye Vremya. 1879. № 1345.

6 – Novgorodsky listok 1882. №. 30. 30 May. P. 1-2.

D (Department). R (Register). F (file)