

SOME ASPECTS REGARDING THE STATUS OF THE ROMANIAN ECONOMY AFTER THE SECOND WORLD WAR

Florina Popa¹

Abstract

The historical course of the Romanian post-war economy must be considered in the context of the consequences of the war and of the internal and external conditions characteristic of the stage, more or less favorable to Romania, as the case may be.

The aftermath of the Second World War affected the evolution of both national and world economies, triggering changes in economic life and world politics. There were concerns for the economic recovery and acceleration of the economic and social development, materialized in actions aimed at the creation of some international organizations and institutions with the role of ensuring the economic ties between states but also of development incentive.

The paper aims to highlight the consequences of the Second World War in Romania, both in economic and social terms, the losses recorded during the war, the given regulations and the effects of their application in the efforts to restore the economy.

Keywords: *economic recovery, integration, regulations, evolutions, The Second World War.*

JEL Classification: N40

1. Consequences of War

The aftermath of the Second World War, as well as the recovery efforts of the participating countries influenced the evolution of the economy, both on the level of those countries and on global level, causing changes of the economic life and world policy, in the general context of peace and prosperity aspirations of the people.

The war held between 1939 - 1945, which engaged in military operations, countries on the territories of three continents, caused fundamental imbalances of the economic and political order provided and maintained after the First World War, it generated great human (troops, civilians) and material losses, its end leading to the change of world order, establishing a new balance meaning a new force ratio and a new economic order.

1.1. Worldwide Developments, Measures to Restore the Economy

Within the preoccupations for recovering the economy and accelerating the economic-social development, measures can be found concerning the creation of certain international organizations and institutions with the role to ensure economic relations between states and constituting an incentive for development, political and ideological connotations also being associated to such economic interstate integration trends (Mureșan M., Mureșan D., 1998).

It was important for the coordination of efforts to stimulate economic and social development after the war to adopt the principle of interstate economic integration on regional and zonal level, concretized in constituting economic communities.

⇒ **Occidental interstate economic integration** manifested by creating certain bodies (organizations, associations, unions) designed to accelerate the economic recovery and development, respectively:

- Creating the Occidental European Union (OEU) in 1948 and the Council of Europe - in 1949 - political body;
- Constituting in 1948 the European Economic Cooperation Organization (EECO), designated to manage the American aid granted to countries in Western Europe through

¹Dr., CS III, Institutul de Economie Națională, Academia Română, florinapopa2007@gmail.com;

Marshall Plan (subsequently replaced by the Organization for Economic Cooperation and Development - OECD);

- The foundation in 1951 of the European Coal and Steel Community (ECSC), based on the Treaty concluded by six West-European countries;

- Constituting the European Economic Community (EEC) - based on the Rome Treaty, initiated by the six states that signed the ECSC treaty - organization representative for the occidental interstate integration that functioned in the alliance formula of six countries, in the period 1958 - 1972. The development levels and the economic growth rhythms of the EEC member countries were different depending on own economic particularities and interests, on their efforts supported by integration;

- The foundation in 1960 of the European Free Trade Association (EFTA), as a result of the treaty concluded with seven other occidental states, some of these countries having commercial relations with EEC countries.

⇒ **Eastern interstate economic integration** manifested between the countries in the sphere of influence of USSR, respectively:

- The constitution in 1949 of a multilateral economic and technical-scientific collaboration organization as Mutual Aid Council (MAC); its founding members were Bulgaria, Czechoslovakia, Poland, Romania, Hungary and USSR, subsequently joined by German D. R., Mongolia, Cuba and Vietnam.

Financial institutions were created and they functioned for the provision of services required for the development of trade and credit relations between the member countries, respectively the International Bank for Economic Cooperation (IBEC) in 1964 and the International Investment Bank (IIB) in 1970.

MAC functioned for about four decades until 1990, the economic development of the component countries experiencing different rhythms, depending on the internal possibilities and the efforts of each of them, as well as the international context.

In the second half of the ninth decade of the last century, a liberalization of relations in MAC and an opening to EEC took place, concretized in a Joint Statement signed in June 1988 by the representatives of the two organizations; the agreement regulated the possibility of each MAC member state to establish diplomatic relations, to enter into trade and cooperation agreements with EEC, measure that Romania acted upon in January 1990 (Mureşan M., Mureşan D., 1998, p. 317).

2. Elements Concerning the Second World War Aftermath (Political, Economical and Social)

The historic journey of the Romanian post-war economy must be considered in the context of war aftermath and internal and external conditionings characteristic to the stage, more or less favorable to Romania, as applicable.

The losses sustained by the economy, generated by the expenses for supporting the participation to war significantly increased in 1944, as a result of a higher demand of the German authorities, based on the treaties previously signed with the Romanian government, as well as the damages caused by the intensive bombings of the Allied Powers aviation, which led to material losses and reduced production.

Besides the oil industry and railways, which registered the greatest damages, other areas were affected as well, respectively the coal production, reduction of maritime, river and road transports, difficulties that were felt in reduced production of enterprises due to activity disruptions.

Agriculture also suffered from the destruction of grain stores, caused by military operations, of crops left unpicked on certain cultivated areas, due to the lack of workforce or seizure of certain quantities of grains.

On 23rd of August 1944, Romania emerged from the war supported by the powers of the Tripartite Pact, the Romanian army joining the one of the Allied Powers.

The **Armistice Convention between the Government of Romania and the Governments of the United Nations** of 12th of September 1944 (initialed in Moscow) sanctioned Romania joining the Allied Powers against Germany, the document establishing for Romania the legal status and treatment of defeated country.

The provided **clauses** (of military, political, economical, financial, administrative order) as well as the obligations imposed on Romania marked the country's economic evolution for a long time.

The Paris Peace Treaty of February 1947, signed between Romania and the Allied and Associated Powers recorded the end of the state of war and the armistice regime.

3. Efforts Concerning the Economy Recovery in the Period 1945 – 1950

The activity of the first years after the war (1945 – 1950) was devoted to the economy recovery, process covered in the context of the interference of economic, social, political elements characteristic to the era (Mureșan M., Mureșan D., 1998).

The war effort and the destructions that followed led to the reduction of material and financial resources, the disorganization of production due to difficulties in the transports field, to discrepancies between the demand and supply of individual consumer goods (Mureșan M., Mureșan D., 1998). The tightening working conditions, lower living standards entailed the economic and social polarization, in urban as well as rural environments (Constantinescu N. N. et. al., 2000).

The lack of raw materials, imported spare parts, fuel affected the industrial production, certain branches registering losses (carbon industry, oil industry) others, reduced production (food industry) (Constantinescu N. N. et. al., 2000).

The drought in 1946 and, partially, in certain areas in 1947 as well, generated insufficiency of food products, increase of prices and life cost, accentuating the negative effects on the standard of living. The state initiated a series of measures to support the population, subsidizing a part of the price of bread, rents, transport fees, without being able to stop the decreasing purchase power.

In order to cover the losses generated by weak crops in 1946 and reduced industrial production, it was proceeded to the issuances of the National Bank, the existence of an accentuated inflation being characteristic to the first post-war years (Constantinescu N. N. et. al., 2000).

3.1. Regulations and Effects in the Economic and Social Fields

In the context of economic obligations resulting from the Armistice Convention and the Peace Treaty and of the hardship to restart the economic activities in peace conditions, from the first year after the war it was proceeded to the state adopting certain regulations leading to the normalization of economic-social life: revival of production and trade, balancing money circulation, improving people's livelihood (Mureșan M., Mureșan D., 1998).

The laws adopted since the first year after the end of the war concerned fundamental fields of economy and were to be decisive for the economic-social evolution of the country (Costache B., 2012).

The first set of laws in 1945 and the first part of 1946 included regulations in the field of remuneration adopting standard employment contract between employees and employers, regulating the price regime and merchandise circulation, incorporating treasurership in enterprises in order to fight speculation (Mureșan M., Mureșan D., 1998, page 324; Constantinescu N. N. et. al., 2000).

The law concerning the circulation of agricultural products introduced the principle of mandatory delivery by the agricultural producers of the surplus of certain categories of agricultural products (beyond the consumption needs for household and sowing). The purpose of the government was to have the necessary products for the fulfillment of the obligations in the Armistice Convention for sowing, army consumption and civil population, constituting state reserves; the state's proxy for acquiring the vegetal agricultural products from producers was the National Cooperative Institute (Mureșan M., Mureșan D., 1998, page 325).

The adoption of the Agrarian Reform of 23rd of March 1945 by the Law Decree no. 187 and the application regulation was a substantive action that marked the subsequent directions and perspectives of the Romanian agriculture.

The following were expropriated:

- Lands exceeding 50 ha - owned by individuals;
- Lands above 10 ha of owners who had not cultivated the land in the last 7 consecutive years;
- Lands and agricultural properties belonging to collaborationists, persons guilty of the country's disaster, citizens refugees in countries for which Romania was at war;
- The agricultural inventory related to categories of expropriated properties was taken over by the state; the state subsequently incorporated county centers for rental of agricultural machines.

Peasant household that held less than 5 ha, as well as the ones with no land, *have been given land.*

State farms have been incorporated:

Land assets excepted by the Law of agrarian reform (belonging to clergy, monarchy, model farms and others) were subsequently taken over by the state.

The seizure of agricultural goods, as an effect of the law, was made without compensation. The appropriated persons had to pay to the state, for the received areas, annual rates for a period of 10 - 20 years; the unpaid rates have been cancelled in December 1959. The law application led to the dissolution of large land properties and the mincing of agricultural property; the category of smallholders has been increased (91.1% of the households held - each - maximum 5 ha) (Mureșan M., Mureșan D., 1998, page 338).

The structure of agricultural property per size category was, according to the agricultural census at the start of 1948, as follows (Table no. 1):

Table no. 1 Agricultural Property per Size Categories in 1948

Category Properties (ha)	Share in total (%)
Up to 0,5 ha	16,4
0,5 - 1 ha	20,0
1 – 2 ha	26,8
2 – 3 ha	15,2
3 – 5 ha	12,7
5 – 10 ha	6,6
10 – 20 ha	1,6
20 – 50 ha	0,4
Beyond 50 ha	0,3
	100

Source: Mureșan M., Mureșan D., 1998, pag. 337 quote A. Golopenția, P. Onica , „Recensământul agricol în Republica Populară Română”, București, 1948, pag. 11

The table reflects the high degree of grinding the agricultural property instituted by the reform - element not favorable to practicing agricultural performance.

In March 1949, the collectivization of agriculture started, process ended in 1962, action that marked the end of instituting state control in agriculture (Costache B., 2012).

The reforms that followed marked the increase of the state's role in economy, its control extending on other branches of the economy.

- The nationalization of the National Bank was regulated by the Law of 28th of December 1946 (Legea din 28 decembrie 1946 in Monitorul Oficial Partea I nr. 298, din 28 decembrie 1946 quoted in N. N. Constantinescu, Vasile Bozga, 2000, pag. 108, in N. N. Constantinescu et. al. 2000), as a result of which the state has a counseling, coordinating and control role on granted credits, through all credit institutions.

- The monetary reform of 15th of August 1947 - pursued the elimination of speculative activities in the financial field; measures to remove BNR (National Bank of Romania) banknotes, brass issued by the Ministry of Finances, Treasury bills and other forms of banknotes, payment certificates from circulation were taken, being replaced by new BNR (National Bank of Romania) banknotes, new MF bill (Constantinescu N. N. et. al., 2000). The gold content of LEU increased to 6.6 mg of gold 90%; one new LEU was the equivalent of 20000 old LEI, the conversion of amounts was made within certain limits; the currency circulation was reduced to new LEI 1377.6 mil. (C. C. Kirițescu, 1997, pp. 116 -125 quoted by Costache B., 2012).

- The restructuring, in 1947, of certain economic bodies, by joining them (Ministry of National Economy, Sub-secretary of Supply, Price Commissariat, the Commissariat for Foreign Trade, Sub-secretary of State Industry) in one ministry - Ministry of Industry and Trade that had coordination attributions in the field of industry, prices, trade (Constantinescu N. N. et. al., 2000).

- Constituting industrial offices (1947) by grouping certain enterprises that operated as public companies, consisting of state and private enterprises, under the state's supervision; they coordinated the activities of production, supply with raw materials, drafting of production programs, regulation of merchandise import and export (Constantinescu N. N. in Constantinescu N. N. et. al., 2000, page 109, 110).

- The nationalization in 1948 regulated by Law no. 119 for the nationalization of industrial, banking, mining insurance and transportation enterprises, published in the Monitorul Oficial no. 133 bis of 11th of June 1948 (Legea nr. 119, M.O. no. 133bis, 11 iunie 1948 quoted in Constantinescu N. N, Axenciuc Victor, Crețoiu Gheorghe, pag. 118, in Constantinescu N. N. et. al., 2000).

Laws for the taking of control on other categories of goods not included in the Law 119/1948 followed, respectively banking and credit institutions, private institutions (Decree 197/August 1948) (Decretul nr. 197 in Monitorul Oficial nr. 186 din 13 august 1948, quoted in Constantinescu N. N, Axenciuc Victor, Crețoiu Gheorghe, pag. 119, in Constantinescu N. N, et. al., 2000), sanitary institutions, privately owned and taken over by the state (Decree 302/November 1948). (Decret nr. 302 în Monitorul Oficial nr. 256 din 3 noiembrie 1948 quoted in Constantinescu N. N, Axenciuc Victor, Crețoiu Gheorghe, pag. 119, in Constantinescu N. N, et. al., 2000), as well as railways.

- In 1949, the nationalization was extended on small enterprises with at least 10 workers, as well as on real estates in urban and rural areas, designated to lease (1950);

- The nationalization of pharmacies was the subject of decrees 134/1949 (Decretul nr. 134, în Monitorul Oficial 15 bis, din 2 aprilie 1949 quoted in Constantinescu N. N, Axenciuc Victor, Crețoiu Gheorghe pag. 120, in Constantinescu N. N et. al. 2000), and 92/1950 (Decretul nr.92 în Monitorul Oficial nr.36 din 20 aprilie 1950 quoted in Constantinescu N. N, Axenciuc Victor, Crețoiu Gheorghe pag. 120 in Constantinescu N. N et. al. 2000);

- State monopoly was instituted on foreign trade (in a decree in July 1949) concerning export, import and transit operations; the Chamber of Foreign Trade was founded whose business objective was the coordination of foreign economic relations (Mureșan M., Mureșan D., 1998).

As a result of such laws, the state held the weight in main economic areas (industrial, banking, sanitary, trade, pharmacies), the significant reduction of private property representing the reduction of its role and effects on the economic development of the country. The free market was restricted and the competition between producers disappeared and therefore, the free formation of market prices; standard products and prices appeared on the entire territory (Constantinescu N.N. et. al., 2000). The centralized planned command economy took the place of free market economy.

Thus, as shown by N.N. Constantinescu et. al. (2000) the state extended its field of action from the political and social spheres to the level of the entire economy, taking over new functions, “the economic-organizational function” or the “allocation, stabilization, distribution function” (Richard Musgrave 1959, Jacques Généreaux, 1977, pag. 5 quoted in Constantinescu N. N, Axenciuc Victor, Crețoiu Gheorghe pag. 125, in Constantinescu N.N. et. al., 2000).

The recovery of economy and achievement of growth represented the application of new economic policies, setting the necessary objectives and resources, process that involves the restructuring of the entire economy, (Constantinescu N.N. et. al., 2000), the new institutions, through their business profile, having to respond to the new governing principles concerning the requirements of economic life (Mureșan M., Mureșan D., 1998, page 326).

An intensive organizational and legislative activity was developed (1948-1951) for the creation of the legislative framework for the planned management of the economy, as well as proper specialized bodies:

- The Great National Assembly - supreme legislative forum and supreme body of the state power.

- The Council of Ministers - liable for the elaboration of the national plan and budget, which were subjected to the approval of the Great National Assembly.

Other important events of 1948 and time perspective events must also be specified, respectively:

- The adoption in April 1948 of the Constitution of the People’s Republic of Romania;
- The State Planning Commission created in 1948 that subsequently became the State Committee for Planning, provided the elaboration of projects of the national plan on all levels of the national economy (Costache B., 2012, page 75);

- The National Bank, reorganized in 1948 - had the role to coordinate the currency circulation on national level, short term crediting;

- The emergence of banks specialized on fields: the Investment Bank, the Bank for Agriculture and Food Industry, the Romanian Foreign Trade Bank;

- The incorporation of the State Committee for Prices (Costache B., 2012, Constantinescu N.N. et. al., 2000).

- For supporting the industrialization it was proceeded to the concentration and specialization of production by merging small enterprises into large units, as well as the design of new modern enterprises (Costache B., 2012, Constantinescu N.N. et. al., 2000).

- Industrial centers were created for the guidance and control of enterprises on branches and sub-branches of the industry (Costache B., 2012, Constantinescu N.N. et. al., 2000).

- The organization and management of economy according to the principle of centralized planning concretized as annual plans in 1949 and, respectively 1950, after this date, the development of economic, social activities following the provisions of five-year plans.

In the actions for recovery of post-war economy, the priority position was held by the industry, the attention being oriented towards the reshaping and merger of certain enterprises, the refurbishment of enterprises, the development of new capacities.

4. Conclusions

The end of the fifth decade was considered by the specialty literature the end of economy recovery, expressed by certain indicators' level, respectively, national income and social product, achieved on the level of 1938 and of industrial production whose volume exceeded the one of 1938 (Mureșan M., Mureșan D., 1998, page 326).

In the decades that followed until 1989, the Romanian industry developed going through changes, new structures appeared, on branches and in territorial profile, new technological lines developed, the actions being supported by the resources available to the country. In the time passed, the Romanian industry developed in a sustained rhythm, the emphasis being, especially, on the quantitative side, to the detriment of quality. The characteristic element was the interest shown for the development, firstly, of heavy industry, based on intensive consumption of materials and energy, whose products did not have the domestic and export sales insured; thus, the orientation, especially to extensive and energy intensive types industry does not provide a balance between consumption and supply, often generating the risk of stock accumulation (Constantinescu N. N. et. al., 2000).

Acknowledgment The paper is a part of the research theme "Rolul statului și parteneriatul public privat (1918 – 2018) (continuare din 2017), Institutul de Economie Națională, Academia Română, 2018, achieved by a team of researchers – Dr. Cornel Ionescu (coordinator), Dr. Florina Popa

Reference

- Constantinescu N. N. (coordonator), et. al. (2000) „Istoria Economică a României”, vol. II 1939-1989, Editura Economică, București;
- Constantinescu N. N., Bozga Vasile (2000), Capitolul 3 *Economia românească în perioada imediat postbelică (mai 1945 – aprilie 1948)*, pag. 93-113, în N. N. Constantinescu (coordonator) et. al. 2000, „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București;
- Constantinescu N. N, Axenciuc Victor, Crețoiu Gheorghe (2000), Capitolul 4 *Trecerea la economia socialistă central planificată. Liniile generale stabilite dezvoltării economico-sociale*, pag. 115 - 136, în N. N. Constantinescu (coordonator) et. al. 2000, „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București;
- Costache Brândușa (2012), “Activitatea României în Consiliul de Ajutor Economic Reciproc 1949-1974”, Academia Română, Institutul Național pentru Studiul Totalitarismului, București, 2012;
- Desmireanu Ionel, Capitolul 5 *Evoluția producției industriale și a structurii acesteia. Construcțiile*, pag. 137 – 185, în N. N. Constantinescu (coordonator) et. al. „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București, 2000;
- Génereaux Jacques, „Politici economice”, Institutul European, 1977;
- Golopenția A., Onica P. (1948), „Recensământul agricol în Republica Populară Română”, București, 1948;
- Kirițescu, C., C. (1997), „Sistemul bănesc al leului și precursorii lui”, vol III Editura Enciclopedică, București, 1997;
- Lazăr Traian (2000), Capitolul 6 *Dezvoltarea agriculturii și silviculturii*, pag. 187 – 207, în N. N. Constantinescu (coordonator) et. al. 2000, „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București;

- Mureșan Maria; Mureșan Dumitru (1998), „Istoria Economiei”, Editura Economică, București;
- Musgrave Richard „Teoria finanțelor publice”, 1959;
- Nașcu Ioan (2000), Capitolul 7 *Transportul și Telecomunicațiile în perioada 1949 – 1989*, pag. 209 – 252, în N. N. Constantinescu (coordonator) et. al. 2000, „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București;
- Purcărea Theodor (2000), Capitolul 8 *Comerțul interior în perioada 1948 – 1989*, pag. 253 – 282, în N. N. Constantinescu (coordonator) et. al. 2000, „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București;
- Stroe Gheorghe (2000), Capitolul 12 *Băncile, circulația monetară și creditul în perioada 1948 – 1989*, pag. 341 – 386, în N. N. Constantinescu (coordonator) et. al. 2000, „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București;
- Sută N. (2000), Capitolul 9 *Comerțul exterior al României în perioada 1949 – 1989*, pag. 283 – 310, în N. N. Constantinescu (coordonator) et. al. 2000, „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București;
- Văcărel Iulian (2000), Capitolul 13 *Finanțele publice în perioada 1949 – 1989*, pag. 389 – 414, în N. N. Constantinescu (coordonator) et. al. 2000, „Istoria Economică a României”, vol. II 1939 -1989, Editura Economică, București;
- Țăranu Liviu (2007), „România în Consiliul de Ajutor Economic Reciproc (1949 – 1965)”, Editura Enciclopedică, București;
- Legea din 28 decembrie 1946, Monitorul Oficial Partea I nr. 298, din 28 decembrie 1946;
- Legea nr. 119 pentru naționalizarea întreprinderilor industriale, bancare, de asigurări, miniere și de transporturi, Monitorul Oficial nr.133bis din 11 iunie 1948;
- Decretul nr. 197, Monitorul Oficial nr. 186 din 13 august 1948
- Decret nr. 302, Monitorul Oficial nr. 256 din 3 noiembrie 1948;
- Decretul nr. 134, Monitorul Oficial 15 bis, din 2 aprilie 1949;
- Decretul nr.92, Monitorul Oficial nr.36 din 20 aprilie 1950.