

ECONOMIC THINKING IN ROMANIA AND ITS ADAPTATION TO HISTORICAL STAGES (1848 – 1914)

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Abstract

In the present study, we set out to analyze an aspect that deserves to be put into practice, with priority, and which does not seem to be in the interest of those entitled to answer for it. It is about the flexibility to adapt economic aspects to the realities of the moment, i.e. to anticipate, intuit, foresee what the course of the economy would be, even if only a little before the occurrence of risky and unfortunate moments (crises), in order to counteract, diminishing or eliminating the negative effects that give all the economic parameters, back, lowers the economic rate becomes the nucleus that produces all that is worse. Although in Romania there is a specialized institution for various economic-financial forecasts, and not only that, called the Institute of Economic Forecasting, but also the National Strategy and Forecasting Commission which is organized and functions as a specialized body of the central public administration, with legal personality, let's be honest, as noted, Romania has been caught, regularly and without exception, on the wrong foot. So, we raise an alarm signal, for the urgent need for specialized forecasting and exceptional organization, from an institutional and administrative point of view, in order to recover from everything that is not efficient, at the present time

Key words: economic ideas, mercantilism, physiocracy, free trade, protectionism

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Introduction

The roots of the first industrial revolution date back to the Middle Ages. The 11th, 12th and 13th centuries created a technology on the basis of which the industrial revolution of the 18th century developed impetuously. The discoveries of the Renaissance played a limited role in the industrial expansion of England in the 18th and 19th centuries.

In Europe, the Middle Ages developed the use of machines, in all fields, more than any other civilization. It is one of the decisive factors of the preeminence of the Western Hemisphere over the rest of the world.

The formation of the world market was a complex process that was carried out gradually, in stages. It was a process of colossal importance, for the evolution of Europe and the whole world, which will exert a growing influence on all countries, both on those that passed earlier to a capitalist economy, and on those that are in pre-capitalist stages.

The formation of the world market was, above all, an economic process that caused a general acceleration of development, an unprecedented progress of human society. Mercantilists understood that profit and wealth are created in the sphere of circulation. The gain of some meant the losses suffered by others. The wealth was made up of gold and silver ingots, and therefore the largest possible quantities had to be brought into the country. In order to accumulate these riches, it was necessary to increase the political power of the state, which was given not only the right, but also the duty to intervene actively. As a result of this ingrained belief, this was the economic program of most states in the 18th century.

The importance and significance of this revolution lies in the fact that the legal, political and administrative levers were created for the cultivation, development and consolidation of modern production forces and relations with legal regulations and appropriate institutions. The newly created systemic framework made England the capitalist type economic model, based on individual initiative, competition and pragmatism - specific to

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the market economy which was followed, very shortly and closely, by other countries, first of all, of the West European.

The industrial revolution was a real leap that broke economic patterns and a relatively slow historical course, giving an unprecedented boost to the development of all sectors of the economy. As a whole, the industrial revolution lasted a little more than a century, from the level of the 1780s to the end of the 19th century.

1. Currents of economic thought and representatives notable from Romania (1716 – 1914)

Against the background of the above, in Western Europe, at the beginning of the 18th century, the debates regarding the agrarian problem were in step with the times. People got excited when it came to agriculture, this enthusiasm finding its source in two phenomena: the revolution in agricultural techniques and the contradiction between the natural rights of man and the idealistic state of society. When in the west of the continent, such ideas and debates had reached the degree of maturity, in our parts, at first, only the reverberations reached. Basically, "an overturn was happening that, soon, was going to revolutionize economic thinking, in general, through the failure of mercantilist ideology and policy, a fact that gave way to the development of a complex of economic ideas that were much more up-to-date and that would create an excellent framework for the formation of the physiocratic system which represents the first true school of economic thought" (Lungu, Cosma, 2002).

"The program of the physiocrats, inspired by the English, was to eliminate the vestiges of feudalism, to reform taxation - by establishing an income tax, to unite small properties and to promote a policy of free exchange of grain trade (Lungu, Cosma, 2002).

It should not surprise anyone that the reforming wave, a mercantile-physiocratic symbiosis, penetrated, to some extent, also in the Romanian Principalities, a fact due, first of all, to some representatives of the boyar elite - sons of boyars and future rulers (Romanians and Greek Phanariotes) who had completed their studies in the west, when the first innovative ideas were received, it is true, with serious limits.

The reforming rulers - "Nicolae and then, more meaningfully, Constantin Mavrocordat, legislated the abolition of some estates, and the remaining ones were concentrated into one - with staggered payment in four installments (quarters), the modernization and centralization of the state, the liberation from serfdom runaway peasants, the abolition of the Romanian category" - category of dependent peasants (Marcu, Firoiu, 1984), "the creation of the legal framework for salaried work, first of all, of state officials - to which are added reforms regarding the modernization of education, justice, printing activity" (Panait, 1994) etc.

Agriculture was viewed by the physiocrats as the only source of wealth, the only one that gave a net product, above production costs, industry and commerce having no other role than to process and transport raw materials, but with an essential condition that imposed private property and its security as the main foundation of the economic order whose corollary is freedom.

According to all the laws of progress, both the remnants of mercantilism and the physiocratic system entered a period of decline. "Criticisms of the physiocracy have become more and more insistent. Showing insight, his followers turned to a new way of thinking, understanding that everything had to be seen in the perspective of the development and expansion of the exchange economy, to the detriment of the natural one. Thus, at the intellectual level, liberal tendencies and deterministic conceptions are asserted at the same time" (Lungu, Cosma, 2002).

The formation and development of Romanian economic thinking is a reality that falls within the natural flow of time, forced to adapt to ongoing situations and events. The destiny of this thinking with national iz, was intertwined with that of the European thinking which, in

fact, tutored it. "Young Romanians studying at prestigious universities in Europe, back in the country, took part in shaping the destinies of development, but the existing conditions in our country could not allow the application of new ideas, without some adaptations, often profound" (Lungu, Cosma, 2002).

Prominent, first-rate representatives of Romanian economic thinking have expressly dealt with the country's economic issues - Ion Ionescu de la Brad, P. S. Aurelian, D. P. Marțian, are not only supporters of the industry, but also established the way how this had to be done. There is also another series of personalities with a wide openness to the new, culminating with the Pashoptist generation which, par excellence, was a generation with liberal economic thinking, whose representatives such as: Ion Ghica, Nicolae Șuțu, Nicolae Bălcescu, Mihail Kogălniceanu, and then, Alexandru Ioan Cuza, Spiru Haret etc. they contributed fully to the later reforms.

In the period 1878-1914, the development of the Romanian economy was based on the "dowry of ideas accumulated as a result of the efforts of these intellectuals. Although late, the political measure of protectionism had a beneficial role even before it became a practice, it was transposed into an ideational and political plan. Their merit is not only in developing the concept of protectionism, but in adapting it" (Lungu, Cosma, 2002) to the conditions of the country.

The trend of industrializing protectionism gave expression to the industrial bourgeoisie, whose economic positions were gradually strengthened by the consolidation of the manufacturing industry and then the factory industry, which were affected by the increasing competition of foreign goods and as such, considered that it was necessary to defend and protect the national industry . At the same time, the current of protectionist ideas and politics responded to the requirements of the development of the modern body of our economy and was part of a wider trend that had taken shape in the economic policies of several European states.

2. The economic policy of free trade

The economic desolation of Romania, in general, was accompanied and influenced by the application of the economic policy of "free trade". In the conditions where machinery had barely made its appearance, this economic policy had positive consequences, only for the countries that export industrial products, in our country, while for the Romanian industry, which is in the early stages of the formation of the national economy, its effects have were negative.

"The commercial bourgeoisie was interested in the policy of free trade, since the abolition or even the reduction of customs duties on imports opened up the prospect of a relaxation of the internal market and the collection, at least of a part of the product of the taxes with which the imported goods would have been burdened anyway" (Zane, 1980).

This policy, in which the landlords were interested, in order to place their products on foreign markets, took shape through the conclusion of a series of commercial conventions with the states of central and western Europe. The first convention was concluded in 1875, for ten years, with Austria-Hungary.

Being an expression of the free trade policy, the convention stipulated that Romania could place its agricultural products in Austria-Hungary, and the dualistic neighbor, on the basis of reciprocity, benefit from exemptions and large reductions in customs duties, for the industrial products it places on the Romanian market. Delivering at low prices, the industry in our country could not resist the Austro-Hungarian competition and as a result, a large number of enterprises ceased their activity. The only industrial branches that could withstand this competition were those in the milling and alcohol industries, which benefited from cheap domestic raw materials. It was easy, under the influence of local conditions and liberal ideology, for the free trade policy to find even apologists here (Zane, 1980).

Being hit in their interests, the industrial bourgeoisie and the ruined craftsmen, as a result of the market competition, demonstrated against the policy of free trade, which led to the creation of a current of opinions for a policy of protection of the national economy. The current in defense of the industrial movement in Romania, strengthened, all the more, as the agrarian crisis that lasted in the last quarter of the 19th century, the evidence that the limitation of the economic policy, only in agriculture, without the development of the industry, does not could only have negative consequences for the country's economy.

3. Protectionist industrial policy

For many Romanian personalities - politicians, businessmen, economic thinkers, such as P.S. Aurelian, A.D. Xenopol, Mihail Kogălniceanu, the development of industry was the surest way to promote the modern economy.

The convention with Austria-Hungary, concluded in 1875, brought enormous damage to the national economy. As curious as it may seem, in the stage that followed, i.e. the customs war with Austria-Hungary - started a little before 1885, but especially after - it also had positive consequences because, following rapid debates and decisions position, it was concluded that the doctrine with the greatest chances of application must be protectionism, dominated and dictated by realities.

In an economy, such as Romania's, on the path of capitalism, development and consolidation, the role of the state has become decisive in the adoption of legislation compatible with the historical stage.

In its actions, the Romanian state encouraged, boosted and supported initiatives in the industrial field, to mobilize and multiply domestic capital, designing the institutional framework of the economic mechanism (Axenciuc, 1977) for the conduct of a protectionist policy, the objective of which was to stimulate capitalist production and form a strong and prosperous bourgeoisie (CRIM, 1987).

The most important factors favoring the emergence of protectionist legislation were: the conquest of independence and its recognition, the reunification of Dobrogea with the country, the absorption of foreign capital by the Romanian economy.

As a result of the industrialist trend and patronage, in general, the rulers started to take some protectionist measures, although at first rather timid, to remove the disastrous effects of the Austro-Hungarian competition. The two elements of the protectionist policy were, on the one hand, protective customs tariffs, on the other, laws to encourage industry and agriculture (to a lesser extent).

The most important laws were those of 1881, 1886, 1887, 1896, 1906, 1912, duplicated by other customs protection laws, commercial conventions, trade and navigation treaties, the country's accession to some international conventions and some social regulations. (Dumitraşcu, 1995).

After the law intended to encourage the paper industry in 1881, the next year Parliament voted a new law in favor of the sugar industry, because the advantages created by the law of 1873 had become illusory. The new law granted sugar manufacturers, for a period of 15 years, a premium of 0.16 lei for each kg of sugar produced and 0.20 lei for each kg of exported sugar. In 1891, with the application of the general customs tariff, customs duties were raised to 0.35 lei per kg of sugar, and in 1896, a new law extended the advantages for sugar manufacturers for a period of 15 years. In 1883 and 1884, some measures were taken to encourage the paper industry, which resulted in the establishment of the factory in Buşteni and the one in Letea-Bacău. The year 1885 was favorable for the encouragement of the manufacture of jute fabrics, strings and sacks, of tanneries that benefited from customs facilities for the import of tannins for the leather industry.

The current against the convention with Austria-Hungary and in favor of industrial protectionism became so accentuated that in Iași, in 1884, at a congress on economic topics, the denouncing of the Convention and the promotion of protectionism for the whole industry, but especially for the factory industry, were insisted upon .

In 1886, despite all the protests of Austria-Hungary, the Romanian government denounced the Convention, which led to a customs war between the two states that lasted until 1891.

With the denunciation of the Convention, Romania adopted a protectionist customs tariff, applied since 1894 when the commercial conventions that Romania had with England and Germany expired.

This tariff aimed to protect the existing industry, establish an effective framework for the conclusion of future commercial treaties and procure higher revenues for the state budget than those derived from the old tariffs. The new autonomous general tariff contributed to a greater extent to the development of the national economy and industry, in particular.

Tariffs had the following main directions: protectionist customs regime for raw materials existing in the country and for products that were manufactured or could be manufactured by domestic enterprises, exemption from export taxes for raw materials that Romania had in sufficient quantities, import taxes reduced for raw materials or industrial products that the industry needed for its technical equipment. The tariff included 590 articles, of which 22 provided customs protection between 50 and 110%, for 31 - between 40 and 50%, for 43 articles - between 30 and 40%, for 113 - between 20 and 30%, and for 53 articles – between 10 and 20%. Although the protectionist customs regime, adopted in 1886, had a partial application, a large part of the country's import and export being regulated by the ongoing commercial conventions, it would boost the development of domestic industry.

At the insistence of industrial circles, in 1887, the law "General measures to come to the aid of national industry" was voted - the first law with a general protectionist character. Through this law it was stipulated that any person - regardless of whether from the country or abroad - could establish an industrial enterprise that would benefit from the advantages created by the law, provided that they have a capital of 50,000 lei or use 25 workers per day (later, it returned to 12), at least five months a year and to use machines and technical means, driven by specialized people. The law also established that within five years, from the establishment, two thirds of the workers must be Romanian citizens. Through this law, the conditions were created for the development of the machine industry, of the factory industry in which skilled workers are used.

In order to be co-interested in the establishment of factories, the law granted entrepreneurs a series of facilities and encouragement measures that boosted, over time, the development of the industry, but which, due to the way in which protectionism was practiced in Romania, until the end of the 19th century, the pace remained relatively slow, but favorable conditions for industrial development were still being created.

This type of economic legislation stimulated the process of expanding the network of industrial units. If in 1866 and 1867 an average of 8.2 factories were established per year, between 1887 and 1893, the pace increased to 14 factories annually, and between 1893 and 1906, to 18. (CRIM, 1987) Also, as a result of the encouragement of domestic production and investments, at the beginning of the 20th century, 410 industrial enterprises were operating in Romania - the largest number in South-Eastern Europe, with an average of 75 workers. (Vasile, 1987)

In 1904, a new customs tariff was drawn up which could not be applied until 1906, because the commercial treaties concluded by Romania with other states expired on that date, and in July 1905 the general customs law was promulgated establishing the surcharges or

even the prohibition of imported goods from countries that took similar measures against Romanian exported goods.

The law for the application of the customs tariff, from 1904, made a distinction between the countries with which Romania had commercial conventions and the countries with which it did not, the former being advantageous over the others.

To encourage the textile industry, in June 1906, a law was promulgated by which textile manufacturers were exempted from customs duties on the import of flax and hemp threads, provided that the import of these products decreased by 10% annually, as during for ten years, the entire yarn consumption should be met from indigenous production.

Since the owners of beer, flour and alcohol factories did not enjoy the advantages created by the law of 1897, a law of June 1906 granted those owners exemptions from customs duties on the import of machines, installations and accessories that were not manufactured in the country.

Since the encouragement law of 1887 granted advantages to industrialists for 15 years, they became interested in a new law that would extend these advantages and give them others in addition. At the same time, the small and medium-sized industrialists, as well as the owners of craft workshops, who remained outside the protection of the 1887 law, asked the state for new measures that would satisfy their interests as well. Some took advantage and managed to evade the law by bringing semi-finished products into the country, instead of raw materials.

Conclusions

As a result of these causes, the "Law for the encouragement of national industry" was drawn up, from February 1912. The advantages of this law benefited any factory, any establishment or industrial enterprise established, or that was to be established and that used 20 workers or machines in operation of any engine. The law also granted facilities to small craftsmen, village cooperative societies and enterprises that used workers in the domestic industry. For the protection and encouragement of the national economy, the law creates long-lasting advantages.

It follows that after the ninth decade of the 19th century and until the First World War, a protectionist policy was promoted in Romania, with favorable shoulders for the encouragement and development of the national industry. The measures to encourage the industry gained a greater scope, the scope of encouraged branches and enterprises expanded.

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