

THE CONFRONTATION OF IDEAS ON ROMANIAN ECONOMIC DEVELOPMENT BETWEEN THE WORLD WARS

Mariana, Buican¹

Abstract:

The Great Union of 1918 led to the creation of a new economic body able to respond to new requirements of the Romanian society.

The period between the two world wars is considered a development stage broad of the domestic economy. A role in this process had economic policy implemented by the authorities. This was based on the new economic doctrines that faced with stake Romanian economy development.

Interwar economic trends were: liberalism - neoliberalism, national - peasantism and socialism.

Keywords: *Economic policy, current neoliberal - of ourselves, current Peasant - doors open, the current socialist.*

Clasificare JEL: N

1. Introduction

The Great Union of 1918 meant not just a union of territories but also the establishment of a new economic, social and political body in compliance with the essential requirements of the Romanian people.

The time interval between the First and Second World War was considered a period of extensive development of the Romanian economy when industry has experienced sustained development, influencing the entire economic body of the country. A special role in this regard had economic policy. Such laws encouraging local entrepreneurs, tariffs, industrial investments, incentives granted for the establishment of new businesses or co-participation of state capital to, the establishment of institutions, constituted the necessary economic development of Romania.

Changes in economic and political balance of forces imposed changes in the economic doctrines of the existing political groups Romanian politics in the interwar period.

As in the previous period liberalism continued to be the main stream of economic thought. Simultaneously, it has developed peasantism, which has seen a growing audience in public opinion in Romania, especially after 1926 (unification of the Romanian National Party of Transylvania ruled by Iuliu Maniu with The Peasant Party of Old Kingdom ruled by Ion Mihalache), and the influence of socialism and Marxism faded as a result of the labour movement split into several political parties (socialist, social democratic and communist).

2. Streams of economic policy

In the interwar period were confronted in terms of economic theory and practice, promoters and supporters of the two major current economic thinking, grouped around the two major parties - The National Liberal Party and The National Peasant Party - current but which were not identified programs of these parties which basically alternated to govern the country.

Followers of the liberal and neoliberal current were promoters of *ourselves policies* aimed Romania industrialization and promotion of local capital. The main representatives of this current (Vintila Bratianu, I.N. Angelescu, I.G. Duca, G. Tasca, M. Manoilescu, Mitita Constantinescu, Stefan Zeletin) felt that in Romania there were certain undeveloped industries and others were not properly oriented needs. Consequently, they advocate

¹ Lecturer PhD, Constantin Brâncoveanu University, Pitești, monica_buican@yahoo.com

enhancing measures for the development of existing industries, and develop new ones, developing appropriate legislation and economic policies.

Industrialization was in their opinion the safest and only way for the development of the national economy as a whole and to recover the gap between us and the other developed countries of the world. Liberal arguments that support the development of the industry especially, were those that the countries lack of this economic sector were subject to numerous negative effects on relations with other industrialized countries, the underdevelopment of the industry resulted in the export of a low processing with a low price and the import of industrial products with high processing more expensive and hence the negative trade balance on the one hand and dependence on other economies on the other. Liberal economists have pointed to the following factors imposed industrialization Romania:

- Industrialization was a form required by the qualitative evolution of human society that is at a certain stage of development;
- Industry was the only branch of the national economy can put best value natural and human resources of the country;
- Industry have higher productivity than other branches of the national economy;
- Investments in industry were more profitable than agriculture, creating higher profits and new opportunities for investment that could ultimately lead to increasing the wealth of nations;
- Export of agricultural products could not cover the value of imports of manufactured products;
- Development industry reduce imports of finished products and export development, causing an increase in the trade balance. (Arcadian NP, (1936), The industrialization of Romania, Bucharest).

The neoliberals were strong advocates the development of industries in order to satisfied internal market needs, to be created thus defence domestic capital by the foreign capital. They claimed that the industry growth had to rely on domestic capital accumulation, so that takes place a limit entry of foreign capital and even in some areas of its replacement. There were not, however, from working with this capital, but they agreed on an equal footing.

The neoliberals have drawn even a planning to industries that had developed primarily those industries which capitalized interior materials; industries were able to capitalize on some energy sources, heavy industries, iron and steel, which provided machinery and spare parts for all other industries, agriculture and communication; on the other hand industries able to reduce dependence on imports, the production of products inside.

Regarding the size of industrial establishments, neoliberals were followers of the great capitalist industry, considered more resilient economic fluctuations but also in terms of profitability to small industry. They argued that by their nature some certain industries may require their size, so light industry industrial could hold small and medium industrial establishments. On the other hand metallurgy, machine building, by their nature, required the establishment of large enterprises.

Regarding relations with foreign capital, neoliberals were aware of the existence and even emphasizing collaboration with this type of capital, therefore they advocated limiting the penetration of foreign capital and not for their total elimination. Therefore they argued that they had taken measures to protect against penetration of foreign capital on the one hand and measures of industrial and banking recovery already dominated by the capital.

In the current liberal various representatives claimed industrialization, but they had their own opinions on this objective. For example, Mihail Manoilescu took into account especially the national productive forces development and thus can substantially increase labour productivity as leverage critical to enhancing the quality of country-wide economic activity and hence as a means of increasing the competitive capacity of Romanian products

on the world market and thus substantially improve the international position of our country. In his works Mihail Manoilescu presents a system of indicators, well structured, who had in mind the maximum exploitation of raw materials, which was supposed to be the fundamental criterion of state policy in promoting various industries. The qualitative indicator proposed as a criterion for assessing the use level of raw materials in a specific industry were **industrialization coefficient** determined as the ratio of value added named by author *real production* and total value of the product. He proposed indicators for classifying industries on the basis of efficiency.

Stefan Zeletin claimed industrial development for political reasons, for consolidating political independence of the state, and for national defence. He maintained the principle of interventionism. In 1927 he claimed that *the interventionist policy is precisely what characterizes the new liberalism - neoliberalism - European bourgeoisie in opposition to the old classical liberalism. The latter is bordered to stay passive viewer of social life, while the new liberalism comes but vigorously, to reconcile conflicts, to harmonize interests, to eliminate waste, to alleviate suffering - in short, to organize. The organization is the banner of the new liberalism.* (Suta-Selejan Sultana (1992), Doctrines and currents in economic modern and contemporary thinking).

Constantinescu Mitita considered industrialization as a means of enhancing the economic potential of the country through the creation of industrial complexes and a way to mitigate the asymmetries in the bosom of the national economy. (Suta Nicolae, (1996), History of Romanian foreign trade)

But most heated discussions were held around the methods that sought to achieve industrialization. They should consider the importance and urgency of the problem, the difficulties to be overcome and new trends manifested in domestic and foreign economic policies of European states developed (reorganization trend of industrialized countries hardness protectionist policies, rising prices on world market for industrial products and decreased at the farm).

In this context I.N. Angelescu stressed the importance of promoting technical progress and the opportunity to create industrial establishments, consistent with application of the latest achievements of science and technology.

Mihail Manoilescu suggested as a criterion for selecting those industries that achieve a higher labour productivity than the national average for this indicator.

Stefan Zeletin stressed the growing importance of heavy industry that it were considered the backbone of the whole industry, and Mitita Constantinescu considered the dual purpose of Romanian industrialization, domestic consumption needs and export, which meant superior processing own materials and some imported. (Suta-Selejan Sultana (1992), Doctrines and currents in modern and contemporary economic thinking).

Businesses had two major problems with the industry namely: insufficient capital, and fewer opportunities for accumulation and growing competition of goods to foreign firms. To eliminate these drawbacks interwar neoliberal economists called for greater involvement of the state in this process both in terms of organization (measures taken by Western dirigisme) and financially (the creation of state enterprises, import and export control, subsidies from the budget allocated to industry etc.). (Suta Nicolae, (1996), History of Romanian foreign trade)

Another issue that prompted lively debate among neoliberal economists was linked to foreign economic policy interwar Romania.

The first issue was related to commercial realities existing externally. Literature was held that the dominant was theory of comparative costs and relative benefits in international trade, which provided free trade as valid economic policy, whereas in practice most countries promoted a pronounced protectionist policy. The most substantial

contribution in this regard was made by Mihail Manoilescu. He said *free trade does not mean for a country possibility to organize production after its interests but contrary. This freedom and this independence are offered only protectionism. A doctrine of free trade which would not be based on the current situation of the world is not a scientific theory, it is not a doctrine. It is a bias ... The idea of freedom has nothing to do with free trade. He never means freedom industries or production ... If political freedom means protection for the weak, then economic freedom means victory fittest.* (Manoilescu Mihail (1986) National productive forces and foreign trade. Protectionism and international trade theory)

In these circumstances Romanian specialists had to choose for a policy and to justify their choice.

Neoliberals, who claimed their origin from the old liberals and Romania were the promoters of the idea that industrialization was not possible without a protectionist policy in terms of foreign economic policy still went on the same line.

Stefan Zeletin combined this matter with the position toward foreign capital and suggested a more flexible formula to solve both problems summarized in the phrase *closed gates* for foreign goods, but open to foreign capital.

Peasant–National-Peasants later - were adepts *open gate* policy. Peasant doctrine expressed economic policy choices of democratic-minded thinkers who are interested in the fate of the peasantry in the twentieth century and who rejected both liberal ideas and those of socialism.

The defining element of the peasant as economic policy was to support the peasantry (considered as a homogeneous social class) and defence of the small and medium private property. In their view peasantry had specific interests, different of the big industrial and financial bourgeoisie, represented by the Liberals and the interests of the industrial proletariat, represented by various social – democratic parties.

Being hostile to liberalism, neo-liberalism, collectivism, Peasants prioritize agriculture in the national economy, leaving the industry on a secondary plan and subordinating it to agriculture. Consequently they disapproved the policy of protecting domestic industry, which felt artificial (industrial gases) and decided for free penetration of foreign capital and goods on domestic Romanian market. (Suta-Selejan Sultana (2000), Economic Doctrines)

Peasants were hostile to industrialization, further cultivating prejudice that Romanians were not skilled in this area or that they could accumulate the necessary capital. Madgearu N. Virgil sustained, the development of capitalism in the countries of Eastern Europe had been limited by poor development of the internal market in general, the demand for industrial products from the peasantry, in particular, which printed Romanian economy characteristics evolution. (Madgearu N. Virgil (1995), Romanian economy after the World War)

Subsequently, due to the evolution of things internally and externally, some Peasant theorists (as Virgil N. Madgearu) have reconsidered their position, noting that some industrialized countries are concerned the reorganization of the economy, being interested by agriculture development. In this context Peasant theorists considered justified concern agrarian countries to develop their own industry and protect it until it consolidates.

In this respect, Virgil N. Madgearu accepted the idea of using customs protectionism by the smaller and less developed countries to protect their industry from finding some drawbacks related to the penetration of foreign capitals on the agricultural country market and disadvantages they had in trade relations with the developed and industrialized countries.

National Peasant economic doctrine was considered at the time one reliable. However the exceptional situation of economic life during the Great Depression in the years 1929-1933, required radical solutions which didn't allow implementation of this economic concept. At that time, internal and external difficulties have forced politicians in

power to abandon *the open door policy* and adopt protectionist and even dirigisme measures. (Maria Muresan, Muresan Dumitru (1998), The history of the economy)

Regarding to the position of the other current economic policy towards industrialization of Romania in the interwar period, it should be noted that the socialists of all kinds (from social democrats to communists) were favourable to this goal, but criticized the country industrialization way and methods.

The Socialists considered Romanian economy as imperialist, underestimating the bourgeoisie potential progress, ignoring the various features of the web peasant, taken without chisel traditionalist thesis of Marxist socialist thought on the inevitability and initiative of replacing capitalism with socialism, underrating the role of other democratic parties in the struggle for development country's economy.

Economic thinking of socialists and social democrats in Romania took as its starting point the Marxist idea of class struggle as a means of solving socio-economic problems. They represented the interests of the working class and rural poor blanket people. Among them there were differences of opinion. So Social Democrats were concerned about the immediate economic problems of the working class, have advocated for reforms in the existing economy. (Suta-Selejan Sultana (1992), Doctrines and currents in modern and contemporary economic thinking).

They opted for the development and protect of national industry, as a support for development of working class. These ideas were closer to neo-liberal socialists, but they where separated from them. They approached also to the peasant through concern of agricultural development and alliance with the peasantry, however disavowing Peasants romantic illusions in this regard. (Patrascanu Lucrețiu (1996), Under three dictatorships.)

3. Conclusions

Many of the existing economic ideas in the interwar period have been implemented in the form of legislative measures, especially during the government of the two main parties, The National Liberal Party and The National Peasant Party.

For example, liberals developed the following economic laws: the law for marketing and control of state economic enterprises by offering advantageous conditions of co-participation of private capital in the event of state economic enterprises. This law is aimed at promoting domestic capital in the industry. Laws were passed to promote a coherent and systematic energy policy at state-wide level. Mining Act which set new coordinates the operation and exploitation of resources by the authorities.

Decree on the establishment of factories for products not manufactured in the country offered favourable terms to certain companies importing equipment and monopoly right for a period of 16-36 months on the markets.

Along with legislative measures designed to encourage domestic capital investment and effort, during this period, were adopted protectionist custom tariffs.

Great Depression affected the Romanian economy, but to overcome this moment and rapid revival was possible as a result of increased economic policies of state interventionism, which was expressed through measures such as contingency imports, exchange control, increase of customs duties import, investment, increasing the volume of state orders to industry, fiscal benefits, etc.

The effect of all these measures was the change of the character of the national economy from one predominantly agrarian as it was at the beginning, of agar-industrial one at the end. There has been a growth industry role in achieving social product and national income. Thus, in 1939 the national income was produced at a rate of 30.8% in industry and 38.1% in agriculture and the rest in other economic sectors.

References:

1. Arcadian NP, (1936), The industrialization of Romania, Bucharest.
2. Madgearu N. Virgil, (1995), Romanian economy after the World War, Scientific Publishing House, Bucharest.
3. Manoilescu Mihail, (1986), National productive forces and foreign trade. Protectionism and international trade theory, Scientific and Encyclopaedic Publishing House, Bucharest.
4. Mureşan Maria,
Dumitru Muresan, (1998), The history of the economy, Economic Publishing House, Bucharest.
5. Patrascanu Lucretiu, (1996), Under three dictatorships, 100+1 Gramar Publishing House, Bucharest.
6. Scurtu Ion, (1996), History of Romania in 1918-1940, Didactic and Pedagogic Publishing House, Bucharest.
7. Suta-Selejan Sultana, (1992), Doctrines and Currents in modern and contemporary economic thinking, All Publishing House, Bucharest.
8. Suta-Selejan Sultana, (2000), Economic Doctrines, Economic Independence Publishing House, Pitesti.
9. Suta Nicolae, (1996), History of Romanian foreign trade, Efficient Publishing House, Bucharest.