

Contribution of the Liberal Economical Thinking to the Industrial
Development of Romania (1859-1918)

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Abstract

For the strengthening of the national economic organism, through the reformation of the economic and political life of the country, the period 1859-1918 is one of reference. Romania's modernization and development are the result of the contribution brought by the thinkers of the time, especially by the radical liberal thinkers. In the same time, we should not neglect the participation, more modest however, of the conservative thinkers at the economic advancement of the country.

In spite of the good results in the industrial field, industry was still occupying a secondary position in country's economic structure, accounting for approximately 20% of the national income. The development of new industrial sectors reduced the imports of consumption goods, even if, until World War I, the Romanian market was dependent on the West.

In this paper, I want to analyse the liberal thinking from the logical, theoretical and doctrinaire viewpoint and, also, to follow the way this thinking has come true in Romania's long-term development strategy, elaborated by the liberal governments and the practical results obtained on this basis.

Keywords: Liberal economic thinking, industry, modernization, development strategy.

JEL Classification: B1, B15

1. Introduction

The mid-nineteenth century beginning of the twentieth century structure of the Romanian economy, agriculture continued to be the fundamental sector. Even in 1900, it contributed two thirds to the gross national product and it represented three quarters of country's exports. Moreover, agricultural products represented about 85% of exports.

On the eve of World War I, there are signs of changing the industry/agriculture ratio, to industry's advantage, because of some new liberal reforms that changed the country's modernization speed. In spite of the good results in the industrial field, industry was still occupying a secondary position in country's economic structure, accounting for approximately 20% of the national income. The development of new industrial sectors reduced the imports of consumption goods, even if, until World War I, the Romanian market was dependent on the West. The

evolution of Romania's foreign trade can give the pulse of the economic life of the country.¹

2. The doctrinaire controversies between the liberal economical thinking

The doctrinaire controversies between the industrialization initiators, concerning the methods, the ways and the concrete actions, which had to be taken, are very interesting and instructive for the studied period (1859-1918). These impose a scientific analysis of the economical realities, social and political in modern Romania, and in the world, as they were not only some subjective desires, political needs or conjectural criteria.

After they have convincingly demonstrated the need of the economical diversity through its industrialization, the cogitative of the time have approached the problematic methods of possible industrialization, referring at the institutionalised frame where it supposed to develop this process, the function of the state, of the credit units, at the rapport between the foreign and local managers.

The majority of the economists have considered that, for the industrialization of the country it is necessary the development of all the industrial branches for which there were local raw material from the agriculture and silviculture, and also the ores found in the mountains sub sol. P. S. Aurelian sustained that this could be accomplished through the promotion of a program which had to follow "the creation of an industrial business on the level of the country, including the construction of cars, beginning from the capitalize deposit and arrogate a significant purpose to the country in the support of this ambitious program"². A.D Xenopol considered necessary the development of the industrial branches which had as raw material the agriculture products. This owed to the fact that there were no supplementary costs (vama taxes, commissions) for these products, being made in the country.

Concerning the accent that had to be put on one or the other industry's forms have set two different ideas of the liberal economical opinion, each author distinguishing through certain ideas.

First exposing his point of view concerning this matter was D. P. Martian, which considered that the branches of the industry must develop together with the basic branch of economy, the agriculture. In his conception was supposed to "encourage with state means, the founding of manufactures for developing an working class and to set in function the productive forces of the country, developing the agriculture and the industry proportionally, one in the other advantage"³.

The structure of the industrial branch was supposed to be very captious, beginning with the home industry, the agriculture industry (the one which had to process the farmer products), to the alimentary industry, the forest agriculture, the construction materials and ending with different branches of the hard industry.

D.P.Martian distinguish himself through his preoccupation in finding some possibilities to set the bases of a new industrial branch in our country, which is the hard industry, being convinced that this one, with the material base which it will dispose would make easier the development of the industry, on the whole. The extractive industry would be, according D.P.Martian the cheapest, because of the

¹ The Romanian Academy, *The History of Romanians* (coordonator Berindei, D.), The Encyclopedic House Publishing, Vol. VII, Tom II, Bucharest, 2003, p.104, 113, 129

² Aurelian, P.S., *Economical Works*, The Academy Publishing House, Bucharest, 1967, p. 186

³ Martian, D.P., quote from *The Encyclopedia of Romania*, Vol. III, *The industry of transformation*, The National Printing Works, Bucharest 1939, p. 280

existence of ores which could be explored “For the salt and stone coals, whom batch is not deep. The exploitation is the easiest and the result in visible, recalculated and addicted from the exploited; for this, the lending to foreigners is the most secured expression”⁴ said D. P. Martian in a study named “*About the salt mines of the country*”. This exploitation could be made with the help of the intern forces, not being favourable to the lending of soil wealth to foreigners, whom would have exploited them merciless: “Giving in foreign hands, the cheapest and working production, it is an anti economical idea, at thinking that our government will do it, it is a calamity”⁵.

Living in an era where the capitalism penetration was in an incipient stage, D.P.Martian has the merit of facing strongly the conservatory ideology of national defense of the formatting industry.

P.S.Aurelian considered the industrialization process had to be structured through the founding of small industrial settlements, because there weren't enough capitals and workers: “for now we believe that our industrial organization must settle on the founding of domestic and vocation industry”. The justification of this affirmation is that, the development of the small industry required small capitals and attracted a bigger mass of people in the productive activity. In time, once with the development of small industry, in the order of accumulation of local capitals” when the economical conditions of the country will change, the big industry will self impose. The big factories want a lot of money, many workers and multiple professional capacities. Indisposition of such means we must start with what we can, with the capitals and workers we dispose”⁶. Here P.S.Aurelian referred to the admonished in the productive activity of the countrymen that hadn't anything to work in the non-agriculture season, according as the local capitals increased, was gone over to the larger factories.

P. S. Aurelian considered that, to assure stability in the industrial branch, had to be studied the realities and requests of the inner market: “To found industry in a country must be searched to found gradually those productions, which can live and endured in the people, becoming a middle of living for it. This doesn't keep down the foundation of big industrial settlements; but we search to found for now appropriate industries with applications, with social and economical statute of the Romanian people. Only by following this we can set the Romanian industry on solid and unshaken basements”. The Romanian bourgeoisie in formation didn't allow making investments in the industrial branch from the beginning, in the same manner it didn't resist in the competition with the developed bourgeoisie from the Occidentals countries of Europe. The after effects would have been the investment of foreign capital in the industrial branches. P.S.Aurelian opposed to the penetration of foreign capital in a country, believing that, this isn't a way of industrialization, but a way of quitting of the independent development of Romania. The widen of the inner market for industry could be accomplished through the increased of buying power of the eating population.

The covering essentials steps for the industrial prosperity of the country were considered by P. S. Aurelian “the natural way of economic development in all the countries, and according to this, it couldn't be different in our country”⁷. The big industry can't introduce it self as a system, the economy foundation being a domestic

⁴ Martian, D. P., *About the salt mines of the country* in *Economical works*, The Academy Publishing House, Bucharest, 1961, p. 296

⁵ Idem, p. 298

⁶ Aurelian, P. S., *Economical Works*, The Academy Publishing House, Bucharest, 1967, p. 189

⁷ Idem, p. 188

industry and the professions. Through domestic industry was meant “a way between the big industry or the factory and profession, which is the industry practiced by one handicrafts man”⁸. P.S.Aurelian granted a special purpose to the food shop and easy industries, this being placed specially in the urban environment for contribute to a better using of the peasant's time in the country.

The introduction of the industry in our villages has the purpose: 1) will improve the farmers position; 2) will allow to transform good manufactured objects, a lot of prime materials, that will export to the boundaries for receiving them made by the Transylvania farmers; 3) will give to the rural population work, population who losses such a precious time during the year by not having a place of work; 4) will emancipate in part the country duty of bringing from outside the most insignificant objects fabricated; 5) will formed a precious personnel for the factories which will found in the future in the country; 6) will contribute in creating a real national industry in Romania; finally will contribute to the agriculture advancement.” said P.S.Aurelian in „How the industry in Romania can be founded”(1881).The effects of the introduction in the villages of the industry will change the statue of the farmer, formatting a power full labor force in the future, will improve the level of living of the families from the country environment, contribute in the same measure at the development of the agriculture. The progressive's ideas of P.S.Aurelian concerning the introduction and development of the industrial buildings in our country had a special significance for the existence of Romanian people and for the economic and social progress.

Among the assurance means of development and prosperity of the founded industries P.S.Aurelian mentions: “bringing of foreigners experts for the introduction of different fabrications, the protection of the industrial production assuring among the abundance of private needs and the needs of different public services”⁹.

A. D. Xenopol joins to P. S. Aurelian in the industrialization matter, even if it distinguishes from this under technique aspect concerning the type of industrial settlement that must be first developed. Contrary to P.S.Aurelian idea, A.D.Xenopol sustains the idea of foundation from the beginning of some large industrial settlements, using in this sense of the last results that have arrived at the western people: “the large industry is the one that, we must search to develop it first in Romania”¹⁰. This because through the big industry were accomplished superior performances, the state being able to support it from financier point of view and also as consumer, assuring the sale market it's products. As well, he doest agree with the theory of P.S.Aurelian that said, that Romania wasn't prepared for the development of the big industry because of the absence of the capitals, whose technique knowledge in the field and the absence of labor men, the only industry that could developed as the domestic industry, this being “the natural way of economic development in all the countries and of course in our country as well”¹¹. Even if there weren't in the country sufficient capitals for the foundation of some factories, those could result from “the join stock company, only as much as the factories could present a successful safety”¹². A.D.Xenopol gives examples of this kind of capitals gathered from national assurance companies (“Dacia”, “Romania”).

⁸ Idem, p. 190

⁹ Aurelian, P. S., op. cit., p. 210-211

¹⁰ Xenopol, A. D., *Economical Works*, The Academy Publishing House, Bucharest, 1967, p. 117

¹¹ Aurelian, P. S., *Economical Works*, The Academy Publishing House, Bucharest, 1967, p. 190

¹² Xenopol, A. D., *Economical Works*, The Academy Publishing House, Bucharest, 1967, p. 180

The big industry has as purpose the production in the country of some products, which were imported until then outside our borders. The small industry had to develop the shelter of the big industry. "The development of our industry must be done in 2 directions: first, concerning the imported products, in the manner that this had to be made in our country-the big industry, then the Romanian people to go to the industrial work-the small industry"¹³ said A. D. Xenopol in "Economics studies".

The beginning of the industrial development in the country is closely tight to the agriculture: "the industry is necessary even for the well being of agriculture"¹⁴. The foundation of new industries, which will take the prime materials from the agriculture will be favourable because will determine an intensification and diversity of agriculture crop, through the introduction of some technique cultures, would reduce the volume of raw products, which was unreasonable for us, will reduce the import of finite products from our own raw material, increasing our currency reserve. Also, will increase the working place number and extend the division of work, which will take to our country progress.

When he says big industry, A. D. Xenopol has in minded first the exploitation of pits "the products of pits are as necessary as the cereals"; "the problem of the mines is of much interest"¹⁵.

According to Xenopol, the state must intervene and sustain an industrialization program. Among the means utilized by the state in the purpose of industrialization, A. D. Xenopol enumerate: "re-formation of the education system, the multiplication of those schools which will give birth to productive jobs", "the encouragement from the state of all the industrialized jobs as: to scholarship gave to the young people that will want to open an industrial settlement by lending some money, organization of industrial competitions for the Romanian workers and awards for those that will excel through them productions"¹⁶.

The state can give its support only in the development of the big industry, "the big industry is the one that what we need to search to develop first Romania"¹⁷ insists Xenopol. But the help from the state has to have a transitory character". If the help of the state for sustaining the industry would last forever, "then that industry wouldn't have in self no own power of existence; it will be like a plant that lives from the body's juices, from is stickied, and detached from it would die"¹⁸.

Referring to the industrial structure of the country, A.D.Xenopol considered as necessary the made of an industrial product, which will determine the development of an interfering industry.

At the end of the nineteen century was remarked a changing in A. D. Xenopol opinion concerning the industrial branches that could be developed in our country.

The agriculture divisions would be the one that could develop the best. Here we find an overreacting of A. D. Xenopol. The foundation of agriculture industries could ameliorate in a certain measure the social problem of peasants through a diversification of their occupations and the using more efficient of the time especially during winter, creating an intern market wider for the agriculture products. The agriculture industries would have been the basic link for solving the economical problems and socials of the time. At the beginning, A. D. Xenopol offered an

¹³ Xenopol, A. D., *Economical Works*, The Academy Publishing House, Bucharest, 1967, p. 117

¹⁴ Idem, p. 89

¹⁵ Xenopol, A. D., *Economical Works*, The Academy Publishing House, Bucharest, 1967, p. 117-118

¹⁶ Idem, p. 120

¹⁷ Idem, p. 180

¹⁸ Idem, p. 186

encouragement perspective to the industrial development of Romania, which offered to his writings a large echo.

The liberals appreciated that, between the agriculture and industry mustn't be antagonism. But, those branches of the economy had to complete themselves and support mutual. The agriculture had its first client in industry, while the industry supposed to use in the production processes the agricultural products.

Vintila I. Bratianu appreciates with the occasion of talking about the customhouse tariff from 1904 that "Industries that concern more our country are those that rely on the using of the agricultural products"¹⁹. In his opinion, it was necessary the development of those branches which count on the import of raw material, "because some industries, through their nature can't found in the small industry"²⁰. It wasn't the right time to discuss about a big industry, but it wasn't supposed to neglect such an industry, because "until we will be an agricultural, industrial, commercial country, it wouldn't be our development complete"²¹.

3. The practical results in industry

In accordance with the existent documents, in what concerns the industrial sector, after the endorsement of the first law of encouraging the industry and until 1912 "were set up 769 factories and were closed 274, remaining, out of the new created, 495 factories."²² Our industry lacked in this period the fuel too, "which we started to own only since 1900"²³. After 1900, the greatest development among the existent factories was of those that used domestic raw materials.

In 1914, according to the studies done, the industry covered, on the average, only 25-30% of the domestic market demand for consumption; therefore, industry had a rather secondary position in country's economy, contributing only 20% to the national income. Some industrial sectors (metallurgy, the machines buildings) did not exist yet, "the need for machines and tools being covered by imports, especially from Germany"²⁴.

The most considerable industrial inquiry is that one from 1901-2, where again we find the statistic data regarding the evolution of the processing industry on categories, such as²⁵:

¹⁹ Brătianu, V. I., *Writings and reflections*, Vol.I, The Independence Publishing House, Bucharest, 1937-1940, p. 155

²⁰ Brătianu, V. I., *Writings and reflections*, Vol.I, The Independence Publishing House, Bucharest, 1937-1940, p. 155

²¹ Ibidem

²² *The Encyclopedia of Romania*, Vol. III, *The industry of transformation*, The National Printing Works, Bucharest 1939, p.812

²³ Ibidem

²⁴ The Romanian Academy, *The History of Romanians* (coordinator Berindei, D.), The Encyclopedic Publishing House, Vol. VII, Tom I, Bucharest, 2003, p.113

²⁵ Axenciuc, V., *The Economical evolution of Romania, Statistical – Historical Researches, 1859-1947, The Industry*, Bucharest, 1992, p.21

Table 3. *The processing industry on categories*

Source: Axenciuc, V., *The economic evolution of Romania. Statistical - historical researches, 1859-*

Category	Unities		Mechanical Power		Staff	
	Number	%	CP	%	Number	%
TOTAL	61953	100	60745	100	162630	100
Big Industry (mechanized)	625	1,0	45212	74,4	39746	24,4
Small Industry (handicraft)	54405	87,8	236	0,4	105031	64,6
Special Industries (mills, saws, bags)	6923	11,2	15297	25,2	17853	11,0

1947, *The Industry, Bucharest, 1992, p. 21.*

From the table it results that the little industry had the largest weight in industries' total (87, 8%), followed by the special industries (11, 2%), and last but no least, but with a decreased weight, by the big industry (1%). The majority of employees (64, 4%) worked in the little industry, followed by the number of employees from the big industry (24, 4%) and from the special industries (11%).

To understand better the signification of the statistical information supplied by Victor Axenciuc, we have to see what it is understood through *staff*, through *big*, *little industry* and *special industry*. Thus, *the staffs include* the employer, administrative and technical staff, workers and apprentices. The big industry refers to that category of state and private enterprises or to other public institutions, which have in common three elements: the use of mechanical power for machines, at least 10000 lei invested capital in fixed capital and at least 5 persons as the staff used. By small and middle industry, the inquiry was actually referring to the small industry, including all the production unities for raw material transformation that do not respect the criterions for 'big industry', prevailing the professions with big and small workshops, private and public and of other public institutions. Here are not included the itinerant professions (ironsmiths, whetstone grinders), some services (barbers, hairdo, public bathrooms) and the professions with agricultural character (dairy, cheese dairy). Within the framework of the *special industries* there are the small enterprises, especially the rural ones that could not be framed in the 'big industry', since they did not respect to the criteria, but neither in the group of 'professions', since they outrun those by function and means of production.²⁶

To follow the development of the big industry between 1886 and 1915 and to demonstrate the positive results recorded, I have selected information from the statistics worked out by Victor Axenciuc²⁷, as it follows:

Table 4. *The big enterprises (1886-1915)*

	1886	1915	Average yearly growth
Number of enterprises	83	837	25
Fixed capital (millions of lei)	About 38	361	11
Value of the industrial production (millions of lei)	About 40	584	18

Source: Axenciuc, V., *The economic evolution of Romania. Statistical - historical researches, 1859-*
1947, *The Industry, Bucharest, 1992, p. 21.*

²⁶ Ibidem, p. 21

²⁷ Ibidem, p. 21

Thus, it can be represented graphically the synthetic expression of the development of big industry such as:

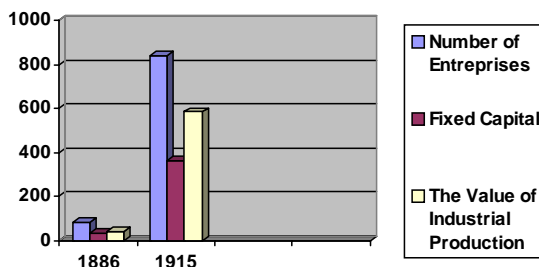


Figure 5. The development of big industry

Source: Axenciuc, V., *The economic evolution of Romania. Statistic-historical researches, 1859-1947, The Industry*, Bucharest, 1992, p. 21.

It should be noticed that in the period 1886-1915, the number of enterprises increased 10 times, the capital 9,5 times, and the value of production over 14 times, fact that demonstrates once again the advancement, the fast starting of industry, fact that expresses the influence of the liberal doctrine.

In this period also, the extractive industry had a considerable development. Romania occupied the fourth place in world oil production.

4. Conclusions

The development and the modernization of the Romanian society, of the Romanian economy at the end of the nineteenth century, the beginning of twentieth century, is due in principle to the political elite, especially the liberal one, without underestimating the conservative political elite. Although the opinions of liberals and conservatives differed over the ways, the methods an especially the modernization rhythm, “the contribution regarding the public institutions’ participation in the process of infrastructure and public edifices building is sensible equal”²⁸. The liberal ideas, the radical ones especially, had a remarkable impact on the economic life in Romania in the modern period, contributing to our country’s integration in the international economic circuit.

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²⁸ The Romanian Academy, *The History of Romanians* (coordinator Berindei, D.), The Encyclopedic House Publishing, Vol. VII, Tom II, Bucharest, 2003, p.51

5. *The Encyclopedia of Romania*, Vol. III, *The industry of transformation*, The National Printing Works, Bucharest, 1939
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