
Manoilescu I: Unequal Exchange

The Peasantists were not the only group interested in the exchange ratios of agricultural and industrial goods. Another cluster of writers, if not a school, wanted to restructure the Rumanian economy to end reliance on “unequal exchange” in the international market by promoting industrialization, leaving aside the problems of agriculture. In the process, “surplus” population in peasant farming would be absorbed in a rapidly expanding nonagricultural labor force, an objective these writers shared with the various currents in Marxism and postwar neoclassical theorists such as W. Arthur Lewis. The leading exponent and the only formal theorist in the trade-oriented tradition was Mihail Manoilescu, a political as well as an economic theorist and an extraordinary figure in the increasingly polarized Rumanian politics of the 1930s. Yet behind Manoilescu, whose theory of industrial protectionism was published in 1929, stood a tradition.

There were several proponents of industrialization—opponents of reliance on agricultural exports—during the nineteenth century, but their voices grew especially audible during the period when government action to that end became more feasible after the creation of a fully independent state in 1877. Before independence, the Ottoman regime, under pressure from Western governments, had kept customs duties in Moldavia and Wallachia to a minimum, thereby precluding any protectionist policy.¹ In the 1850s and 1860s Dionisie Marțian had called for a policy of industrialization. The torch was subsequently taken up by Petre Aurelian, Bogdan Petriceicu Hașdeu, Mihail Kogălniceanu, Ioan Roman,² and Alexandru Xenopol, most of whose works on the subject, however, appeared after 1877.³ In part, Rumania’s pro-industrialization writers were reacting to the growing agricultural protectionism of the states of central Europe, particularly that of Austria, in the wake of the Great Depression after 1873. They were also reacting to the fall in prices of Rumania’s agricultural exports.⁴

For our purposes, the most important of these writers was Alexandru D.

Xenopol because of his probable, though unacknowledged, influence on Mihail Manoilescu in the years between the two world wars.⁵ Like so many other Rumanian professors, Xenopol, a Moldavian, received his higher education in Germany, where he was sent to study with financial assistance from the Junimea group.⁶ Xenopol lived in Berlin from 1867 to 1871, when he received his doctorate, and could hardly have failed to be impressed by the importance of the economic foundations of Bismarck's new German Empire.⁷ Before becoming a professor of Rumanian history at Iași, he served as a magistrate and grew interested in economic issues in part because of his legal and judicial experience.⁸ During the 1880s he became an important intellectual figure in the Liberal Party, the exponent of an industrialized Rumania.

Xenopol was a passionate defender of the thesis that Rumania was the victim of a process of unequal exchange between the exporters of industrial goods and those of agricultural products.⁹ Nor was this view altogether unique in East Central Europe: the Forty-eighter Party in neighboring Hungary under the Dual Monarchy also favored industrialization by 1875, partly because of the view that free trade produced unequal exchange.¹⁰ Unlike earlier members of the Junimea, Xenopol was a materialist, and he believed that cultural development was based on material progress, of which industrialization was a major aspect in modern times.¹¹ As an advocate of protectionism, Xenopol reversed the position of Alexandru Moruzi (1815–78), who associated the unimpeded flow of goods across national borders with the advance of (Western) civilization.¹² For Xenopol, too, civilization, nation-building, and economic development were simultaneous processes, but he associated with economic development the division of labor *within* a given society. In a country dominated by traditional agricultural techniques, there was little economic specialization.¹³ Xenopol would have approved of Durkheim's concept of "organic solidarity," by which the division of labor in a national society creates bonds difficult to destroy.

Xenopol's most radical views on industrialization were expressed in *Economic Studies*, a collection of articles he first published in 1879 and revised and expanded in 1882. Heavily influenced by the protectionist views of Friedrich List and Henry Carey, Xenopol went far beyond his German and American inspirers to assert that the exchange of manufactured for agricultural goods on the international market constituted exploitation. Following the classical economists, Xenopol accepted the labor theory of value, which had now been abandoned by the rising marginalist school associated with Jevons, Menger, and Walras. Xenopol focused on the different productivities of labor embodied, in his view, in agricultural and industrial production. He associated farming, at least the traditional kind known in Rumania, with *muncă brută*—raw, unskilled, or brute labor—and industry with *muncă inteligentă*—intelligent or skilled labor. Rumania was exporting agricultural goods embodying much more labor than was embodied in the industrial goods it imported.¹⁴ In foreign trade, he calculated that a ton

of imports, which he equated with industrial goods, was worth 828 lei (presumably in 1872), while a ton of exports, equated with agricultural goods, was only worth 158 lei; thus the difference in value was more than five to one.¹⁵ Elsewhere he even calculated that the difference was ten to one—a figure frequently later cited by Manoilescu, and in Ion Veverca's estimation, not by coincidence.¹⁶

Like Manoilescu a half-century later, and in tones just as polemical, Xenopol held that the international division of labor was a swindle. Western (or as he put it, British and French) economic theory was ideology at the service of particular national interests, a theme echoed in the 1930s by Manoilescu and by some Third World economists after World War II.¹⁷ In fact, argued Xenopol, even England and France, as well as Germany and the United States, had built their industrial preeminence on protectionist policies. Only medieval Venice and Flanders had established their industries primarily on unassisted private initiative. England, beginning with Edward IV—later followed by Cromwell—and France, beginning with Colbert, had successfully pursued state-induced policies of industrialization.¹⁸ Tedentious though his interpretation of the two nations' development was, it served Xenopol's purpose of showing the need for state intervention in his own country.

Despite its sponsorship of his foreign study, Xenopol rejected the Junimea school's doctrine of modern Rumanian history as *formă fără fond* (form without substance). Perhaps adapting Hegel's idealism to make the state the demiurge of history in a materialist world and adapting the "upside-down" notion of Rumania's development by the Junimists, Xenopol saw his country's development ("civilization") as *fatally* one of *sus în jos*—from above to below—and argued that the state would have to induce development, and industrialization in particular. The state would provide "external" protection with tariff barriers, but "internal" protection for industry was also required, in the form of tax concessions, subsidies, guaranteed purchases, and export premia.¹⁹

Further, *sus în jos* implied that highly capitalized industries with large numbers of workers per firm would have to precede small ones with modest capital investments and few workers per unit, and the state needed to concentrate its efforts in the former group.²⁰ Rumania's economic development was "upside down," and necessarily so, if it were to catch up with the West in an era of international cartels.²¹ As a result, what would have been an abnormal form of development in the West was a "normal" one for a backward country like Rumania.²² Consequently, the country had railroads before highways, a banking and insurance system before industry, political independence before economic independence, and a written constitution before constitutional practice.²³

There were many dangers inherent in the economic position of a country that remained purely agricultural, thought Xenopol. One was a dependency on the industrial countries, which set both the prices of their own goods on the world market and the agricultural prices of their nonindustrialized trading partners.²⁴

Xenopol was apparently unaware of the economic “law” of the German statistician Ernst Engel, viz., that as income rises, the percentage of income spent on agricultural goods tends to fall. In any event, Xenopol held that there were limits to the gains Rumania could obtain from the export of foodstuffs.²⁵ Further, the stratification of agricultural and industrial countries in the world market was a dynamic process, and Xenopol seemed to imply that the poor would get poorer if Rumania and other agrarian countries persisted in their agricultural specialization. The (alleged) losses in foreign trade over time also had an opportunity cost because Rumania sacrificed capital that might have been invested.²⁶ Xenopol had no doubt that Western countries could and did impede the industrialization of backward agrarian countries by their use of the doctrine of free trade.²⁷ For these reasons, the international division of labor had to be rejected. The peoples of backward areas of the Continent, including Rumania, along with those of Asia, Africa, and Latin America, were “slaves whose labor built the civilized fortress of [Western] Europe.” The West exploited the rest of the world through the exchange of goods produced by skilled labor for those produced by brute labor.²⁸

Petre S. Aurelian, Xenopol’s contemporary, was equally ardent in his defense of manufacturing industry and adduced more considerations against agricultural exports and in favor of industrialization. Trained in agronomy in France, Aurelian traveled widely in Europe, observing economic conditions. Like Xenopol, he was associated with the National Liberal Party. A publicist, professor, and man of affairs, Aurelian played an active role in politics, serving several times as minister and heading the Rumanian government at the close of the nineteenth century. Among his many works, *Our Economic Future*²⁹ was a polemical statement sponsored by the National Liberal Club in 1890, defending the industrialization policy implemented by the Liberals in the tariff of 1886. Publishing late in the Great Depression of the nineteenth century, Aurelian believed that his country faced grave and hitherto unknown difficulties in the international grain market because of rising “overseas” producers. He had in mind the United States, the Dominions, and most recently Argentina, whose cereal production, Aurelian wrote, had quadrupled between 1878 and 1890.³⁰ Rumania, he suggested somewhat prematurely, could no longer compete successfully in international agricultural markets. For Aurelian, furthermore, the fact that the United States had the highest per capita income and the highest per capita tariff charges (of nine wealthy countries he compared) exposed the fallacy of free trade arguments—and by implication the fallacy of the thesis of comparative advantage.³¹ Finally, there was another consideration. Like Xenopol, Aurelian was impressed by the rapid rise of German industrial power in the last quarter of the nineteenth century, but for him this phenomenon was simply the most advanced case of a general European trend. Russia, Hungary, and even Bulgaria and Serbia were industrializing. In asking how Rumania could fail to fall in step with her neighbors, Aurelian not only referred to the danger of becoming an economic “tributary”—an allusion

perhaps to the country's unenviable status under the recently ousted Ottoman regime—but also insinuated that the danger was strategic as well as economic.³²

In the twentieth century, the exploitation-through-trade thesis, linked with pro-industrialization arguments, was carried forward by Ion N. Angelescu, a professor of finance in Bucharest with a doctorate in economics from Munich. Angelescu was to become finance minister at the end of World War I.³³ He was impressed by the economic dependence of Rumania on the belligerent powers in 1915 and advocated the creation of new non-agriculture-related industries. To this end, he recommended state intervention in the economy to organize production through a “central economic commission.”³⁴ In 1915, writing in the same journal published by the National Liberal Party, Angelescu had provided a detailed estimate of Rumania's total national wealth (not annual product), showing that, of an economy worth 26 billion (milliard) lei in 1913, two-thirds was accounted for by agricultural land and forests and 5 billion by industry and commerce. Of the latter amount, “large industry”³⁵ in 1908 accounted for only 0.5 billion in fixed and circulating capital—less than 2 percent of national wealth.³⁶

After the war, Angelescu argued that industrialization was even more feasible in Greater Rumania, which had rich sources of energy and enhanced supplies of raw materials. Agriculture depended on foreign markets, and its products needed to be valorized. The modernization of the country's backward agriculture relied on industry to raise agricultural productivity. The nation's exports, Angelescu noted, and therefore its labor, were reckoned as two or three times less valuable than English goods and English labor (per unit of time worked). Angelescu further urged the reduction of industrial imports to improve the nation's trade balance, in effect recommending import-substitution industrialization. Beyond this, Rumania must offer more valuable goods—manufactures—on the world market, he asserted.³⁷ Angelescu believed, as Xenopol had, that western Europe exploited backward countries through trade and lending practices,³⁸ but he had no theory to explain how and why this occurred. That task was assumed by Mihail Manoilescu, whose theses are considered in the remainder of this chapter and the one that follows.

A man of many parts, Mihail Manoilescu had an international reputation as a theorist of corporatism as well as an economist. Yet it also seems that he wanted to succeed at politics more than at anything else—he was “furiously ambitious,” in the words of the British ambassador in 1940,³⁹ and was a stereotypical Balkan politician in his opportunism. Born in 1891, Manoilescu came from a modest though educated family in Tecuci, the same Moldavian county where Ștefan Zeletin had been born nine years earlier. Both the younger man's parents were later secondary school teachers at Iași, capital of the former principality of Moldavia; his father was a militant in the Rumanian Socialist Party of Gherea and Racovski. On his mother's side, he had political connections in the Conservative Party.⁴⁰ Manoilescu studied engineering at the School of Bridge and Highway

Construction (later renamed the Polytechnic) at Bucharest and led his class every year. There he also became a friend of the future king, Carol II. Manoilescu received his engineering degree in 1915, and during World War I worked in the National Munitions Office to develop better ordnance. His energy, cleverness, and ability to form useful connections enabled him to become director-general of Industry in 1920 and to organize the first industrial exhibition of Greater Rumania in 1921.⁴¹ This was the beginning of his campaign to stimulate Rumanian industrial development.

A rising star in the government of General Alexandru Averescu⁴² from 1926, Manoilescu gained a reputation for both efficiency and articulateness, virtually running the country's ministry of finance as undersecretary. In the late 1920s he also played a major role in the accession of Carol to the throne, after Carol had been judged unfit by the Rumanian parliament, which was under the sway of Prime Minister Ion I. C. Brătianu. For conspiring to crown Carol, Manoilescu was tried by a military court but was acquitted. The trial gave him a certain notoriety, and the acquittal was also viewed as an endorsement of Carol, whose coronation took place in 1930.⁴³ In the same year Manoilescu was named minister of public works, then minister of industry and commerce, and in May 1931 he was appointed governor of the National Bank. Yet in July 1931, his meteoric rise in politics came to an abrupt halt when he refused to authorize National Bank credits for a major commercial bank belonging to one of the king's cronies and the bank failed.⁴⁴ His refusal antagonized the king, and Manoilescu's services in high government circles were not sought again until the crisis of 1940, when Germany followed the USSR in seeking to shrink the Greater Rumania that had emerged in 1919.

Manoilescu also was prominent in private organizations and served, at various times, as president of the national civil servants' society, of the national engineers' association, of the congress of the national industrialists' association (UGIR), and of the Rumanian Chamber of Commerce. Under Rumania's quasi-corporatist constitution of 1923, he represented the Chamber of Commerce in the Rumanian senate. He also participated in various meetings of the International Chamber of Commerce, as well as attending other pan-European conferences, lecturing in different parts of Europe, and, in 1930, representing Rumania at the League of Nations in Geneva. As a politician, he founded a corporatist party in 1933. In the preceding year, he had launched a journal to propagate his political views, *Lumea Nouă* (The new world or New people) and attended the Fascist-sponsored Corporatist Congress at Ferrara. Of the various right-wing intellectuals present at Ferrara, only Manoilescu and Werner Sombart were invited to Rome to report personally to Mussolini on the event.⁴⁵ The Rumanian theorist was proud of his acquaintance with the Italian dictator, whom—according to Manoilescu—he had convinced to recognize the legitimacy of Rumania's claim to Bessarabia against the Soviet government in 1927.⁴⁶ Manoilescu was also on

good terms with some of the intellectual and pseudo-intellectual figures in Nazi Germany, notably Werner Sombart and Alfred Rosenberg. His work as a political theorist also impressed António Salazar, the dictator of Portugal, and the Portuguese law professor Marcelo Caetano, Salazar's future successor, during the Rumanian's visit to Lisbon in 1936.⁴⁷

As a personality, Manoilescu had certain gifts: he was deemed handsome and personally charming, so much so that one unsympathetic commentator quipped that had Manoilescu chosen to become a screen actor, cinema would have profited, and politics would have lost nothing.⁴⁸ The same writer accused Manoilescu of political corruption, and foreign observers agreed.⁴⁹ If true, however, this trait would hardly have distinguished him in the Rumania of the 1930s, in which milieu *șmecherie* (imaginative speculation or embezzlement) was widely admired. As his memoirs reveal, Manoilescu had a high opinion of himself, and he resented the reputation of the economist Virgil Madgearu, also a rival in politics.⁵⁰

Manoilescu's opportunism in politics is well documented, and he changed political orientations and parties several times.⁵¹ During the 1930s, his support for Mussolini was sometimes histrionic.⁵² In 1937 he won a seat in the Rumanian Senate on the ticket of the Iron Guard, then called "All for the Country."⁵³ Yet his backing for the only local fascist party to achieve power by its own action outside Germany and Italy was probably based on opportunism rather than conviction, as was his timely anti-Semitism.⁵⁴ In 1940, following the fall of France and the Soviet seizure of Bessarabia in June, King Carol II again called on Manoilescu, this time to direct Rumania's foreign affairs. The British ambassador at the time considered the new appointee strongly anti-Semitic and a German tool as well: Sir Reginald Hoare wrote London "that such a creature should be made Minister for Foreign Affairs . . . is even more deplorable than it is comic."⁵⁵ In any case, events proved Manoilescu more clever than wise. His activity as foreign minister brought opprobrium on him in August 1940, with a new national disaster. Rumania had acquired Transylvania from Austria-Hungary at the end of World War I, and the postwar Hungarian state had pressed an irredentist claim. Working under the pressure of Hitler's war timetable, the Nazi and fascist foreign ministers, Joachim von Ribbentrop and Galeazzo Ciano, met their Hungarian and Rumanian counterparts at Vienna and decided to resolve the border dispute by fiat. The settlement became notorious in Rumania as the "Vienna *Diktat*." Ciano's laconic diary catches the drama of the moment: "Ceremony of the signature at the Belvedere [Palace]. The Hungarians can't contain their joy when they see the map. Then we hear a loud thud. It was Manoilescu, who fainted on the table. Doctors, massage, camphorated oil. Finally he comes to, but shows the shock very much."⁵⁶ Manoilescu acquiesced in Rumania's cession of half of Transylvania to Hungary. Within a week of the *Diktat*, his political career had ended in disgrace, and King Carol had lost his throne.⁵⁷

Despite this debacle, Manoilescu remained loyal to the Axis cause, and his

politics affected his economic views in the late 1930s and early 1940s. He turned away from his long and passionate defense of allegedly scientific protectionism in favor of Nazi policy, which emphasized Rumania's agricultural complementarity with Germany. Rumania was to be part of the agricultural hinterland of the *Grossraumwirtschaft* (Greater German Economic Space). The Manoilescu of the war years argued that within the German system Rumania would receive higher prices for her exports than she would on the international market.⁵⁸ He offered no evidence for this contention, and in fact, Germany exploited the resources of Rumania ruthlessly.⁵⁹

Bucharest was liberated in August 1944; Rumania immediately joined the Allies; and Manoilescu was jailed in October. He remained in prison until December 1945, awaiting trial for his role in the loss of Transylvania. The ex-foreign minister was cleared of charges five months later, partly, perhaps, because Rumania had regained its pre-1940 frontiers with Hungary. Manoilescu then proceeded to write his memoirs. But in December 1948, he was again incarcerated by the newly consolidated Communist regime. The politician-theorist died two years later as a result of prison-induced ailments and was condemned posthumously for pro-Axis press articles written during the war.⁶⁰ Because of his Axis sympathies, Manoilescu's works were banned by the postwar regime; but a generation later his economic works, which anticipated many Third World claims, aspirations, and indictments, were mentioned in official publications as an important Rumanian contribution to the analysis of underdevelopment.

Manoilescu was a man of considerable learning, writing fluently in French and later delivering speeches by memory in German and Italian as well.⁶¹ He had a gift for polemical prose, though his treatises in economics and political theory have a didactic tone, sometimes featuring whole paragraphs in italics. In economics Manoilescu was self-taught, having an engineering background, like such other social theorists as Georges Sorel, Vilfredo Pareto, and Herbert Spencer. He became interested in economic theory as a result of his work in the secretariat of finance, reorganizing the Rumanian tariff structure in 1927 to favor industrial protection.⁶²

Manoilescu's *Theory of Protectionism and International Exchange* (1929),⁶³ translated from French into five other languages, including Spanish and Portuguese, already had repercussions in his own day in Brazil and in other countries where Iberian languages were spoken, and he was well aware of the currency of his economic ideas in Latin America.⁶⁴ His *Century of Corporatism* (1934)⁶⁵ was equally well-known. The impact of his ideas outside Rumania will be described and evaluated in later chapters, as will the alleged connection between his economic writings and the structuralist school associated with the United Nations Economic Commission for Latin America.

Manoilescu's ideas appeared in a period of much greater receptivity to heterodoxy than was the prewar era. The concept of economic planning, which was

widely discussed in East Central Europe in the interwar years, had grown less out of the Russian Revolution than the *Kriegswirtschaft* of Germany and the other belligerent powers in the later years of World War I.⁶⁶ A growing penchant for planning meshed with a rising tide of economic nationalism in the region, focusing on industrialization and exacerbated by capital flight, as foreign investors disinvested in the 1930s.⁶⁷ Furthermore, in the 1920s and 1930s, corporatist industrialists shared an “ideology of productivity.” In Italy, for instance, “Technocratic accents . . . became the rhetoric of the industrial leadership as it pushed for lower labor costs [including lower wages] in the name of productivity and rationalization.”⁶⁸ A contemporary watchword among Latin American industrialists as well, rationalization was often equated with cartelization, to terminate “ruinous” competition.

Yet a rising rate of monopolistic combination did not necessarily halt the spread of industrialization beyond western Europe and the United States—on the contrary. Manoilescu was not unique in his day in perceiving that the Depression, by inducing protectionist reactions among the Great Powers, was stimulating the diffusion of manufacturing beyond the highly industrialized states.⁶⁹ But industrialization was a long-run proposition, and in the shorter run, Rumania, along with other agriculture-exporting countries, had already begun to experience the “price-scissors” problem—a widening gap between industrial and agricultural prices—in the late 1920s. The scissors opened farther and cut deeper in the 1930s.

The decline of prices for agricultural commodities relative to those for manufactured goods had two principal medium-term causes, both growing out of the war. One was the effort by the major industrial countries of continental Europe to achieve self-sufficiency in wheat production in the 1920s, hedging against another international conflict; the other was technological advance, notably the diffusion of the tractor, in the high-productivity agriculture-exporting nations, a process stimulated by the vital need for grain during the Great War. The issue remained, however, why industrial prices did not fall as well, given the greatly expanded manufacturing potential in the belligerent powers and the tendency for industrialization to spread to new countries. During the Great Depression many economists noticed that industrial prices tended to be downwardly rigid, and the causes of the latter phenomenon were identified as early as 1927 by the Swedish economist Gustav Cassel in a report for the League of Nations. Cassel pointed to monopolistic tendencies in the labor and manufactures markets of the industrial West.⁷⁰ “From 1913, a very serious dislocation of relative prices has taken place in the exchange of goods between Europe and the colonial world” owing to these monopolies, he wrote in 1927.⁷¹ These causes of high and downwardly rigid industrial prices were to be cited by later writers in the interwar years, including Manoilescu himself.⁷² They were reiterated in an Economic Committee report of the League in 1935. That document further pointed out that agricultural producers could not control supply as readily as their industrial counterparts, and individual farmers sometimes increased quantities of goods offered for sale to

make up for falling unit prices, thereby exacerbating the problem. Thus individual interest conflicted with group interest. All these considerations would be put forth again after World War II in the analysis of the United Nations economist Raúl Prebisch.⁷³

Manoilescu's ideas were widely discussed in Rumania and elsewhere in East Central Europe in part because of the salience of the peasant issue. In Rumania, the peasant had been the recent beneficiary of a major land reform, and such reforms had occurred, with greater or lesser intensity, in most of the region. But the newly enfranchised peasant was also now a political force to contend with in East Central Europe and especially in Bulgaria and Yugoslavia. As "overpopulation" was widely diagnosed in the region,⁷⁴ how to make the peasantry more productive was an issue for which Manoilescu, among others, offered a solution.

Manoilescu agreed with the French journalist Francis Delaisi that the Continent's economy after the war was still sharply divided into "two Europes," the title of Delaisi's book, published the same year as Manoilescu's *Theory of Protectionism* (1929).⁷⁵ In Delaisi's dualist scheme, "Europe A" was industrial Europe, the "Center" in Werner Sombart's terminology,⁷⁶ and was a compact area bounded by a line passing through Stockholm, Danzig, Cracow, Budapest, Florence, Barcelona, Bilbao, Glasgow, and Bergen. "Europe B," the "Periphery," as Sombart and Latin American structuralists would style it, was agrarian—highly diverse, much poorer, and much less well integrated.⁷⁷ Beyond these two components lay "overseas Europe," or, in a later phrase, "lands of recent settlement," mostly populated by migrants from B but supplied with abundant capital from A.

Although overseas Europe was largely agricultural, it enjoyed modern equipment, wrote Delaisi. Because of the high productivity in overseas Europe's agriculture, the economic symbiosis between Europe A and overseas Europe was much stronger than that between the former and Europe B. This was because overseas Europe took more of A's exports than B or any other region of the world and more than twice the per capita value of exports that A sent to B. Therefore, agrarian Europe had become increasingly irrelevant to the interests of the developed West. However, wrote Delaisi, as a result of the postwar land reforms across eastern Europe, 100 million peasants (counting those in Russia) had now received land—creating a potentially vast market. Europe B, with capital and agricultural machinery supplied by A, could eventually become the latter's main trading partner because overseas Europe's markets were closing (presumably because of industrial protection policies).⁷⁸

Why would Manoilescu, who published a book defending the industrialization of agrarian countries the same year Delaisi's essay appeared, be attracted to the latter's arguments for a preferential tariff protection scheme that would have Rumania remain an agricultural exporter? Owing to his political ambitions and commitments, Manoilescu found himself alternately supporting two different economic policies with contrasting theoretical foundations during the years

1929–44. Such policies had to do with how to confront the low prices Rumania received for its agricultural exports. One tack was to seek, by bilateral or multi-lateral agreements, an upward adjustment of the relative prices at which Rumania's grain was exchanged for industrial goods on the international market. The other, which his *Theory of Protectionism* explicitly called for, was to abandon traditional agricultural specialization on the world market and to pursue import-substitution industrialization.

Having published the original French edition of his treatise in 1929, Manoilescu the politician found himself at the Geneva headquarters of the League in the following year, arguing for the "closing" of the price scissors by international agreement. As minister of industry and commerce in the government of George Mironescu (1930–31), Manoilescu demanded a preferential tariff regime for East Central Europe. He nonetheless used elements of his trade theory to underscore the importance of the plausible assertion that goods embodying western Europe's labor exchanged for those involving a multiple of labor units expended in East Central Europe; consequently, he alleged, western Europe had more to lose by a contraction of trade, under a growing international tendency toward autarky.⁷⁹ Furthermore, a diminution of intra-European trade stimulated industrialization in the eastern portion of the continent, contrary to the West's interest. In this matter, Manoilescu was adding his own arguments in presenting the case of the newly formed Agrarian Bloc.⁸⁰

The Bloc proved ineffective, however, and Manoilescu presented a more radical (and politically unrealistic) view at the Vienna meeting of the International Chamber of Commerce in 1933. He recognized, as Cassel had before him and Prebisch would later, that in times of depression industrial prices were "sticky" because of the power of organized labor, compared to its unorganized counterpart in farming in the agriculture-exporting countries. Nevertheless, the "imperative of the [world] crisis," he proclaimed, was for the industrial countries, whose terms of trade had improved dramatically since 1913, to adjust their export prices downward relative to those of their agricultural trading partners, by lowering wages and profits; meanwhile, manufacturing in agricultural countries should be protected by "exaggerated" tariffs—presumably as a reprisal.⁸¹

As economist—as opposed to politician—Manoilescu was chiefly concerned with the relationship between the purchasing power of a unit of labor expended in producing a good traded on the world market in terms of the labor of other workers abroad—a concept later developed as the "double factorial terms of trade." Manoilescu held that labor productivity in industry (manufacturing and mining) was superior to that in agriculture, by a ratio of four or more to one, in empirical studies. This superiority owed to "specific capital," that is, the capital per worker, which was much higher in industry than in agriculture. Specific capital also indicated the "degree of mechanization" in a given industry (or economic activity).⁸²

Using data for 1937 in the final edition of his treatise on production and trade (published in Rumanian), Manoilescu calculated that average industrial wages in Rumania were 4.6 times greater in industry than in agriculture; capital per worker ("specific capital") was 4.1 times greater; and labor productivity was 4.6 times greater. Yet the average rate of profit was only 1.8 percent greater in industry than in agriculture.⁸³ Employing data from the Ministry of National Economy to measure productivity and profitability for specific industries, Manoilescu found that there was no correlation between general profitability and productivity; rather, capital per worker "determined" (i.e., was highly correlated with) productivity. For Manoilescu, these findings and the small spread between profit rates in industry and agriculture noted above showed that the individual interest in profit could and did in fact diverge from the "national" interest in productivity.⁸⁴ Manoilescu apparently did not know the work of A. C. Pigou, who had demonstrated in *Wealth and Welfare* (1912) and *The Economics of Welfare* (1920) that differences owing to indivisibilities in capital-intensive forms of production could arise in social and private marginal net product.⁸⁵ Later Paul Rosenstein-Rodan would use such indivisibilities and the external economies to which they give rise to argue for a state-led "big push" to overcome structural deficiencies in the economies of underdeveloped countries.⁸⁶

Manoilescu, like Marx, Ricardo, and other classical economists, believed in the labor theory of value, although the Rumanian thought there were "qualitative" differences between labor inputs, which were explained by the amount of capital per worker, and that these differences were stable over time. They could therefore be used to establish a hierarchy of economic activities (i.e., branches of production).⁸⁷ Manoilescu further developed a "coefficient of quality," showing which industries could produce a given value of output with minimal inputs of labor and capital. Such a coefficient could be used by state planners to rank industries, and the concept could be modified to measure agricultural productivities as well.⁸⁸

Because labor productivity was so much greater in industry than in agriculture, "the passing of backward agricultural states from agricultural occupations to those of industry offers a greater advantage [to them] than to industrial countries."⁸⁹ As labor moved from agriculture to industry, in the longer run, however, Manoilescu believed a tendency toward the convergence of agricultural and industrial productivities would occur, and those of the United States already revealed this tendency.⁹⁰ Until such convergence occurred, low-productivity labor in agriculture should be moved to high-productivity manufacturing; or, in its precise formulation, stated in neoclassical terms, when the marginal productivity of labor in agriculture is below that in other sectors, surplus labor should be moved to manufacturing or other, higher-productivity activities. The Rumanian theorist was remembered in postwar development theory primarily for this, the "Manoilescu argument," which remained a hotly debated subject. Viewed from

the perspective of costs of production, the argument could be put differently: the large gap between (traditional) agricultural and industrial wages, reflecting a large productivity differential, was an impediment to industrialization that could be offset by a compensatory tariff on, or subsidies for, industrial goods. This argument was later developed by Kurt Mandelbaum, Raúl Prebisch, and the Nobel Laureate W. Arthur Lewis.⁹¹

Manoilescu adapted his formulae to measure productivity of land as a factor of production, and therefore yield per hectare,⁹² but he made no effort to measure the productivity of services; thus he could only measure the value of physical product. He apparently believed that commerce (the major component of services) did not produce wealth, but only redistributed it, although he allowed that commerce produced “relative utility” as opposed to the “absolute utility” of production.⁹³

In the matter of international trade, the issue for Manoilescu was not comparative advantage, as for Ricardo, because this theory “prescribed” a division of world labor into industrial and agricultural specialists; rather, the issue was whether a given economic endeavor within a country had a labor productivity higher than the national average. If it did, its development should be encouraged.⁹⁴ Specialization in traditional agricultural pursuits required four to ten hours of Rumanian labor to purchase the product of a single hour of English labor. Thus international trade was a swindle. Protection for industry was justifiable, not just in terms of Friedrich List’s “infant industry” argument, by which an enterprise would take advantage of economies of scale and external economies over the intermediate run to bring costs down to internationally competitive levels; rather, protection was justified because a sheltered industry that had a labor productivity higher than the national average of economic activities was a boon from its first day of operation.⁹⁵ Further, for Manoilescu protection was a valid policy for the longer as well as the short term, if differentials in productivities across different economic activities persisted.⁹⁶ The more the productivity of a given good exceeded the average national productivity, the more the domestic price of that good could justifiably exceed the foreign price.⁹⁷

To engage in agricultural exports, Manoilescu argued, a country’s comparative advantage in domestic agriculture over its foreign counterpart must be greater than the “intrinsic superiority” in labor productivity of industry over agriculture within the country.⁹⁸ Such cases were rare, Manoilescu thought, because agriculture in Rumania and other underdeveloped countries with dense populations was primitive in technique and consequently was labor-intensive. If the comparative advantage in domestic agriculture over that of a foreign country (or “all other countries”) was zero, and if labor productivity in domestic industry was four times greater than that in agriculture, then the inferiority of domestic labor productivity over its foreign counterpart could be 75 percent “without the solution of industrial production ceasing to be advantageous.”⁹⁹ Further, if the

price of a good produced in an agricultural country were three times that of its foreign counterpart, and its labor productivity were greater than the highest labor productivity of any other national product, then a tariff of 200 percent (to bring the goods to the same price level in the local market, assuming labor productivity determines price) "would be justified in practice and in theory" because of the growth in national income that the production of the new good would effect.¹⁰⁰ In the long run, the productivity gains for agricultural countries, whose incomes would rise, would benefit the industrial countries, with which the former would now trade more extensively.¹⁰¹ Thus the industrialization of backward countries "has nothing in common with autarky,"¹⁰² although it was at odds with the "free trade" doctrines of the League of Nations.¹⁰³

Manoilescu distinguished between profitability and productivity: the former criterion guides the actions of individual entrepreneurs, while the latter should be the cynosure of nations, as directed by the state. In (high-productivity) industry, workers receive high incomes, creditors to industrial enterprises receive high rates of interest, the state receives large tax revenues, and entrepreneurs obtain high profits. In (low-productivity) agriculture, even when the product can compete at the world price and the capitalist farmer receives a large income, "the benefit to the nation (that is, the sum of individual benefits to workers, creditors, the state, and entrepreneurs) is small in comparison with the national benefit obtained in industry."¹⁰⁴ The assumption of the "liberal school" that there was a coincidence between profitability and productivity was false.¹⁰⁵

In a variety of forums Manoilescu emphasized the exploitation inherent in international trade. In a brash moment he wrote, "It is scientifically absurd to speak of growing rich by one's own work only. [It is] only by organizing and exploiting others' labor that anybody can become rich." The same held true for nations as well as for individuals, he inferred.¹⁰⁶ Because the exchange of industrial goods for agricultural products and raw materials on the world market was a cheat—*un marché de dupes*, he called it¹⁰⁷—Manoilescu demanded the replacement of an allegedly outmoded "socialism of classes" by a "socialism of nations," the Rumanian's way of expressing the notion that the modern world was divided into "proletarian" and "plutocratic" nations.¹⁰⁸ He thus anticipated demands by Third World governments in the 1970s for a New International Economic Order, and the Rumanian's path toward the new order was basically the same as theirs: if the First World did not agree to a major shift in the international relative prices of industrial and agricultural goods, the backward agrarian countries should industrialize through protectionist policies.¹⁰⁹

To what degree did Manoilescu convince Rumanian industrialists of the validity of his argument? More broadly, to what degree were the "practical men" who directed Rumania's manufacturing industries affected by the economic theories circulating in the 1920s and 1930s? The organ of the national industrialists' association offers some answers. The General Union of Rumanian Indus-

trialists (UGIR) was founded in 1903 as a reaction to the financial crisis of 1900–1902 and was extended from the Old Kingdom to Greater Rumania in 1922.¹¹⁰ In the early 1920s, the organization's concerns tended to be practical and its position somewhat contradictory on government interference in the labor market. The first issue of UGIR's *Bulletin*, in 1922, espoused a doctrine of social harmony between capital and labor, denying, as some corporatists would have it, that workers and factory owners formed separate social classes.¹¹¹ UGIR opposed the creation of a corporatist labor chamber one year later, a project designed to diminish class conflict, because the industrialists' association feared an "army" of bureaucrats in the new labor courts.¹¹² In the interwar years UGIR objected frequently to government efforts to legislate and enforce the eight-hour day, the objective of the Geneva-based International Labor Office.¹¹³ Yet on the matter of suppressing "communist discord" spread by "foreign" workers, UGIR expected "the full support of the government."¹¹⁴

In the 1920s the posture of the association was generally defensive on the position of industry in the national economy. UGIR spokesmen in 1926 argued that Rumanian manufacturers could legitimately use imported inputs, but they retreated to a defensive position one year later to meet the charge that their enterprises were "artificial"; in response, they pointed to the cotton-cloth industries in Switzerland, France, and Germany, which lacked local supplies of raw cotton. For the director of UGIR, the ultimate argument for the protection of industry was a social one: its employment of national laborers, whose loss of work would produce grave social conflict.¹¹⁵

Industrialists also employed an obvious pro-manufacturing argument in a country surrounded by neighboring states from which it had gained territory after the war, namely, that industry had a strategic role to play in maintaining the integrity of Greater Rumania.¹¹⁶ More apologetic was the contention in 1928 that the country should industrialize, precisely because former trading partners, Germany, Czechoslovakia, Italy, and Austria, were agrarianizing—presumably a reference to renewed efforts to raise wheat production in Central Europe. As late as 1930, the president of UGIR stated, "We have always recognized that the principal branch of production in the country is agriculture" and admitted that it deserved special attention.¹¹⁷

In the 1930s UGIR spokesmen, like their counterparts in Brazil, became more aggressive in supporting the cause of manufacturing, and they cited both Manoilescu's political activity on their behalf and his theory of protectionism. As early as 1927 UGIR had praised the high tariff that the Rumanian engineer had authored in that year, and four years later a spokesman for the organization approvingly cited *Theory of Protectionism* on the assertion that manufacturing was the most productive branch of economic activity.¹¹⁸ The very fact that Manoilescu held high posts in UGIR and the national Chamber of Commerce offers indirect evidence of the acceptance of his ideas by Rumanian businessmen. In

1931, the National Economic Plan would be executed by a government in which Manoilescu was minister of industry, and a UGIR leader expressed confidence in him. According to the plan, when the interests of industry and agriculture came into conflict, the state—the same UGIR official noted with approval—was to decide in favor of the solution that represented the largest increase in national income—a clear allusion to Manoilescu's productivity thesis.¹¹⁹

UGIR became more assertive about industry's role in the economy in the 1930s, when the share of manufacturing rose in the national product. A leader of the organization alleged in 1936 that industry, directly or indirectly, now paid half the country's taxes.¹²⁰ UGIR repeatedly expressed the view that manufacturing was a boon to Rumanian labor and adopted the position defended by Manoilescu (although others took a similar stance) that manufacturing could absorb surplus labor from agriculture. In this way, the interests of industry and agriculture were complementary, UGIR spokesmen believed.¹²¹ Therefore the "Manoilescu argument" for moving unproductive labor from agriculture to industry was adopted by the industrialists to support their own interests, though their concern with, and appreciation of, economic theory was slight.

Meanwhile, the Rumanian government moved decisively in the direction of state-led industrialization, so long sought by Manoilescu, after King Carol's coup d'état in 1938.¹²² In April of that year the Ministry of Industry and Commerce was transformed into the Ministry of the National Economy, which was to stimulate and control virtually all aspects of economic life.¹²³ At the ideological level, the Higher Economic Council, a government advisory body led by the intriguing but always influential Constantin Argetoianu, had been charged with producing a general economic plan in 1938. It declared firmly for state-induced industrial development in 1939: industrialization would secure national economic independence, raise the general level of income, and move the "surplus population" out of agriculture into industrial enterprises.¹²⁴

70. Scutaru, p. 11. Scutaru's book had a kind of official Peasantist approval, because Ion Mihalache, the party leader, wrote a preface to it.
71. *Ibid.*, pp. 15–16.
72. *Ibid.*, pp. 17, 23.
73. Pătrășcanu, "Statul" in his *Texte* (1975 [1936]), pp. 239, 241, 244.
74. Myrdal (1970), p. 543 (Rosenstein-Rodan quoted).
75. Warriner, pp. xxvii, xxx.
76. Myrdal, pp. 521–22, 544. Gerald Meier agrees with Myrdal that moving labor to industrial employment is not a costless activity. Meier emphasizes capital formation with surplus agricultural labor more than industrialization as such. Meier (1968), pp. 186–87, 190–91.
77. Schultz (1964), chap. 4, esp. pp. 55–58. It should be noted, however, that W. Arthur Lewis's model of the "unlimited supply of [agricultural] labor" does not require zero marginal productivity in agriculture, but only "an excess supply of labor at an exogenously given wage." Findlay (1980), p. 68.
78. For a discussion, see Bhaduri (1989 [1987]), pp. 109–13.
79. The historian and former prime minister Nicolae Iorga was assassinated at the same time.

Chapter 5

1. E.g., see Xenopol (1967 [1882]), pp. 101–2.
2. A Rumanian from Transylvania who was perforce a subject of Austria-Hungary.
3. Among the several summaries of their views, see Nicolae-Văleanu, "Istoria gândirii economice" (1982), pp. 54–67; and Constantinescu (1973), pp. 65–83. A selection of their writings, as well as those of men who defended other views, is found in *Academia Republicii* (1960). Many of the nineteenth-century economic writers have also been anthologized in individual volumes.
4. E.g., see Răzmirița (1932), pp. 92, 301–2.
5. Ioța (1968), p. 303. According to Ioța, Xenopol also influenced I. N. Angelescu, who likewise failed to cite Xenopol. *Ibid.*, p. 303. (See below on Angelescu.)
6. On the Junimea, see Chapter 3.
7. For a brief biography and critical study of Xenopol's works, see Veverca (1967), pp. 7–71.
8. Ioța, p. 19.
9. The tradition had deep roots. As early as the 1820s Dinicu Golescu [Constantin Radovici din Golești] had condemned the practice of selling raw materials abroad cheaply and buying them back at a price "thirty times greater." Murgescu, *Mersul* (1987), 1: 269.
10. In the words of Iranyi, leader of the party in 1873, "trade between unequal parties always favors the stronger and hence does not deserve the designation 'free.'" Quoted in Janos, *Politics* (1982), p. 139.
11. Xenopol, pp. 79–80; Veverca, p. 49.
12. Demetrescu ([1940]), p. 264.
13. Ioța, p. 154. Hașdeu also associated industrialization with civilization, progress, and national independence. Hașdeu (1960), pp. 271–82.
14. Xenopol, pp. 85, 189.

15. Ioța, p. 238; Xenopol, pp. 189, 193. In his polemical efforts to dismiss agriculture, Xenopol weakened his argument, however, by asserting that Rumania could not compete with the United States, Russia, or even Hungary, all of which presumably had higher labor productivities. Xenopol, pp. 91–92. Clearly, this interpretation ignores the “income terms of trade,” which takes into account the quantity of goods exchanged as well as unit prices. Incredibly, in 1979, a Rumanian economic historian wrote that in the late nineteenth century five tons of his country’s exports were required to equal the value of one ton of imports, which fact “demonstrates the economic exploitation” of Rumania at the time by its more developed trading partners. By this logic, England, the world’s largest exporter of high weight-to-value coal in the last century, was presumably being exploited in international trade. Perhaps this allegation shows the staying power of the tradition in economic thought which Xenopol represented. See Cherciu (1979), p. 186.

16. Veverca, p. 24. Unlike Xenopol, however, Manoilescu attributed the difference to the capital per worker invested in a given economic activity.

17. “The political economy [i.e., economic theory] of France and England does not deserve the name of science; it is theory at the service of a practice [which is profitable for those countries],” wrote Xenopol, p. 95.

18. *Ibid.*, pp. 97–98, 177.

19. Ioța, p. 174; Xenopol, p. 178.

20. Xenopol, p. 180. The Rumanian phrase is *industria mare*, which means both “heavy” and “large-scale” industry, but by the examples he gave, it seems Xenopol had in mind highly capitalized firms with large numbers of workers, rather than capital goods industries. He cites the textile, leather, and paper industries, all of which the state could easily subsidize through purchases for the army and the bureaucracy.

21. In the 1890s, Xenopol retreated from this position and argued that Rumania could feasibly develop only light industries, such as brewing, and, in general, those without huge capital investments and the most advanced technology. In particular, he promoted those industries using domestic raw materials. Like the Populists, Xenopol contended that foreign markets were closed to Rumanian industries by Western monopolies. Ioța, p. 111.

22. *Ibid.*, p. 151.

23. *Ibid.*, p. 148; Xenopol, p. 181.

24. Within Rumania, Xenopol added, foreigners had taken over commerce and industry, leaving only the bureaucracy and agriculture for Rumanian nationals. Ioța, p. 161.

25. Xenopol, p. 189.

26. Ioța, pp. 162–63. Xenopol seems to have had a mercantilist view of foreign trade, by which Rumania imported more than it exported, thus sending capital abroad to cover its import bill.

27. Veverca, p. 11.

28. Xenopol, pp. 192–93.

29. *Viiitorul nostru economic*.

30. Aurelian (1890), pp. 19–21.

31. *Ibid.*, pp. 39, 44.

32. *Ibid.*, pp. 9, 43.

33. Angelescu was minister of finance in 1919 and held the same position in 1920–21—undersecretary (i.e., assistant minister) of finance—that Manoilescu would hold in 1926–27.

34. Angelescu, “Dependența noastră economică” (1915), pp. 724, 727. In 1919, Angelescu argued, as Manoilescu would four years later, that class representation through corporate organization was necessary in the modern postwar economy. The state was to

“harmonize” class interests. This in part was an extension of his earlier advocacy of a central economic commission. See Angelescu, *Politica economică a României Mari* (1919), p. 29.

35. Angelescu used the 1901–2 census definition of “large” industrial firms, which were those employing mechanical means of production and machines using water, gas, gasoline, oil, or electricity as sources of energy; in addition, the largest artisanal workshops were included. See Rumania: Ministerul Agriculturii (1904), p. viii.

36. Angelescu, “Avuția” (1915), pp. 305–7.

37. Angelescu, “Politica,” pp. 24–26.

38. Angelescu, “România” (1927), esp. pp. 2, 5.

39. Sir R[eginald] Hoare to Foreign Office, 21 June 1940, FO 371.24992.

40. M. Manoilescu, “Memorii” MS. (1946–48), p. 6; Manoliu, *Bibliographie* (1936), p. 9. The most comprehensive bibliography of and about Manoilescu’s works is Nechita, ed., *Mihail Manoilescu* (1993), pp. 268–303.

41. Manoliu, *Bibliographie*, p. 10.

42. Averescu had been the minister of war who directed the repression of the peasant revolt of 1907.

43. Diamandi ([1936?]), pp. 260–67; M. Manoilescu, “Memorii,” p. 247.

44. Whether Manoilescu was motivated by anti-Semitism or sound financial judgment in letting the Bancă Marmorosch-Blank fail is debatable, but a recent study has supported the latter view. See Popișteanu et al. (1982), esp. p. 42. In his memoirs Manoilescu says the French financial expert Charles Rist advised him that the bank should be allowed to fail. “Memorii,” p. 420. If this is true, Manoilescu respected the foreign adviser’s opinion then more than in 1933, when, no longer in office, he decried foreign financial experts, and implicitly Rist. (See Chapter 7).

45. M. Manoilescu, “Memorii,” p. 486.

46. *Ibid.*, pp. 106–13.

47. *Ibid.*, pp. 532, 610, 612, 618. Manoilescu had a private audience with Salazar (p. 614). For more on the Rumanian’s relations with the Portuguese dictator and his successor, see Chapter 6.

48. Diamandi, pp. 266, 271. The sociologist Henri H. Stahl, who as a young man knew Manoilescu, also believed him to be an impressive personality—less charismatic than Stere, but more so than Madgearu. Interview, Bucharest, 28 Oct. 1981.

49. Diamandi, p. 268. Similar opinions were held by French and British diplomats. The French minister in Bucharest reported a rumor that Manoilescu had secretly sent government funds to Switzerland while he was minister of commerce. French Minister in Bucharest [G. Puaux] to Foreign Minister, 29 June 1931, Quai d’Orsay, vol. 170, p. 28. The British embassy reported in 1939, “He [Manoilescu] is said to be venal.” “Records of Leading Personalities in Rumania,” Bucharest, 31 July 1939, FO 371.23855, p. 17.

50. French Minister in Bucharest [G. Paux] to Foreign Minister, Bucharest, 18 Oct. 1930, Quai d’Orsay, vol. 169, p. 163; M. Manoilescu, “Memorii,” part VII, p. 328.

51. Diamandi (p. 266) suggests he left Averescu’s People’s Party in 1927 because a ministerial portfolio was not enough for him. Manoilescu himself said it was because of the general’s rapprochement with Ion Brătianu, the Liberal leader. “Memorii,” pp. 165–66.

52. Hoare to Sir Anthony Eden, Bucharest, 12 Jan. 1938, [FO 371] R533/250/37.

53. M. Manoilescu, “Prefață” ([1940]), pp. 8–9.

54. In the 1920s, at least, Manoilescu had had no objections to working with Jewish partners in a Transylvanian mining venture in which he had invested his wife's fortune. "Memorii," pp. 41, 499, 576.

55. Hoare to Foreign Office, Bucharest, 21 June 1940, FO 371.24992; Hoare to P. B. Nichols, 5 July 1940, Bucharest, FO 371.24992 (quotation). Cf. Ciano's observation on 27 July 1940: "I received the Rumanians [Prime Minister Ion Gigurtu and Foreign Minister Manoilescu]. They are simply disgusting. They open their mouths only to exude compliments. They have become anti-French, anti-English, and anti-League of Nations." Ciano (1946), p. 279.

56. Ciano (1946), p. 289 (entry for 30 Aug. 1940). In his apologia, Manoilescu argues that in mid-1940, following the fall of France and the USSR's seizure of Bessarabia and northern Bucovina, there was little Rumania could do to oppose Hitler's designs. If he had refused German-Italian "arbitration," Manoilescu contended, Rumania would have lost all of Transylvania, instead of half, and he would have exposed Moldavia to Soviet occupation because the Axis would not have defended the integrity of the remaining Rumanian territory. M. Manoilescu, "Urmare la 'memoriile mele'" MS. (1947), pp. 26–30, 55, 68, 271, 316.

57. Furthermore, the new Iron Guard-dominated government quickly ceded an area on the southern frontier to Bulgaria, another Axis satellite.

58. E.g., M. Manoilescu, "Economia" (1942), p. 50.

59. For details, see Vasile (1979). Rumania's export prices to Germany rose 123 percent from 1939 to 1944, while import prices from Germany rose 614 percent, giving the lie to Manoilescu's vision of how the *Grossraumwirtschaft* would work. See Lampe and Jackson, p. 532.

60. Dinu and Manoilescu (n.d.), p. 16. Presumably the charge referred to articles such as "Curiosități psihologice" (1942), in which Manoilescu defended the German-Rumanian alliance "in the same struggle for liberation" against the "plutocratic forces" (p. 116). His "Problematika războiului" (1942) was shrilly pro-Nazi.

61. Even the British embassy reported, "He is clearly a man of culture, knows a fair amount of English, and professes friendliness to British industry." See "Records of Leading Personalities in Rumania," 30 Sept. 1930, FO 371.14438, p. 18. M. Manoilescu, "Memorii," pp. 278, 483.

62. M. Manoilescu, "Memorii," p. 55.

63. M. Manoilescu, *La théorie du protectionnisme et de l'échange international* (1929).

64. M. Manoilescu, *Lege* (1932), p. 18.

65. M. Manoilescu, *Le siècle du corporatisme* (1934).

66. Neumark (1936), p. 51. According to Neumark, a "neomercantilism" had arisen even before the war, when the major industrial states raised tariff barriers against their competitors and established exclusive trading areas within their empires. *Ibid.*, p. 34.

67. See Kofman, "Economic Nationalism" (1990), esp. p. 207.

68. Maier (1975), p. 567.

69. M. Manoilescu, *Imperatif* (1933), p. 5; Condliffe (1933), p. 358. Condliffe opined that it was the industrialized countries who had the most to lose by pursuing autarkic policies, a view M. Manoilescu had expressed three years earlier (see below). On the general tendency for agriculture-exporting nations to seek to industrialize in the decade after 1925 (when major European countries other than England began to seek agricul-

tural self-sufficiency), see Société des Nations [League of Nations]: Comité Economique (1935), pp. 36–37.

70. Cassel put the larger share of blame on trade union monopolies rather than on “monopolistic combines of enterprises” but argued that the two were mutually reinforcing. Cassel (1927), pp. 43–44.

71. There was also the cost of increased unemployment in the West, in Cassel’s view, partly owing to labor unions’ insistence on the introduction of the eight-hour day. *Ibid.*, pp. 28, 29 (quotation), 32.

72. See below.

73. M. Manoilescu, “Criza” (1933), p. 121. In the same passage Manoilescu added that Cassel “absurdly” proposed free trade as a solution, but the Rumanian ignored Cassel’s principal recommendations for the West, which were to provide greater credit and capital investment for agricultural and colonial areas. See also Christodorescu, *Problema* (1933), pp. 2–3; Société des Nations: Comité Economique, p. 9; and UN: ECLA, *Economic Development of Latin America and its Principal Problems* (1950 [Sp. orig. 1949]).

74. E.g., see Warriner (1964 [1939]), p. 35, and esp. chap. 3; Egoroff (1936), p. 152; Frangeš, “Industrialisation” (1938), pp. 44, 76; Reithinger (1937), pp. 25, 36–37, 74, 175; Whipple and Toteff (1939).

75. Delaisi (1929). M. Manoilescu became a friend of Delaisi that year. See his “Memorii,” p. 347.

76. See Chapter 7.

77. Delaisi, pp. 21, 23, 26–27.

78. *Ibid.*, pp. 81, 83, 196, 202. In fact, the idea of a Europe-wide preference scheme for wheat goes back to Jule Méline (author of the Méline tariff in France) and the first International Congress of Agriculture in 1889. See Société des Nations: Comité Economique, p. 40.

79. In buying agricultural goods from the United States or Canada, western Europe’s manufactures exchanged for goods embodying more equivalent amounts of labor.

80. M. Manoilescu, “Régime” (1930), pp. 6–10. The father of the Bloc in Rumania was Virgil Madgearu, then minister of agriculture, who in 1929 had effected a 30 percent decrease in tariffs, in the spirit of the Geneva Economic Conference of 1927.

81. M. Manoilescu, *Imperatif*, pp. 6–8, 15.

82. M. Manoilescu, *Forțele* (1986), p. 125; see the same point in *Théorie* (1929), p. 177. I will refer hereafter primarily to *Forțele*, the expanded Rumanian edition of *Théorie*. The work was revised in 1946–48 but only published in 1986, 36 years after the author’s death. The Rumanian edition is a reworked version of the 1937 German edition. Though the 1986 edition is the definitive one, it is necessary to refer to others, especially the original French edition (1929), because of its reception by critics and Manoilescu’s attempts to answer them in later editions. Note that the first words of the title of the Rumanian version (“national forces of production”) emphasize the productivity issue, as did the title of the 1937 German version. “The productivity of labor is the fundamental [*capitală*] notion in our work,” he wrote in *Forțele*, p. 97. The Rumanian edition also includes arguments and data published in his “Productivitatea” (1941).

In a given economic activity or branch of industry, if C = fixed capital invested, and K = liquid capital, and A = total number of workers, then “specific capital” (or q) = $(C + K)/A$, or capital per worker. Further, if P = value of production, and S = total wages, then

p = value of output per worker, or P/A , and s = average wages, or S/A . Further, the value of output per worker or “productivity” equals average wages plus specific capital multiplied by i , the average rate of profit in that industry, or $p = s + q(x)i$, because $P/A = S/A + q(x)i$. This formula was not included in the French and French-derived editions in English, Italian, and Portuguese. *Forfele*, p. 124. See also “Productivitatea,” p. 2.

83. M. Manoilescu, *Forfele*, pp. 131–32. These calculations were based on the assumption that only male adults worked in agriculture. If, said Manoilescu, one more realistically added the additional labor inputs in agriculture by women and children, the ratio of productivities would reach 9 to 1. See his “Productivitatea,” p. 30; *Forfele*, p. 130. Generalizing for “backward agricultural countries” in the latter work, Manoilescu believed labor productivity in industry was four times greater than in agriculture (p. 127).

84. “Productivitatea,” pp. 10–11; *Forfele*, p. 127. On this matter, Manoilescu followed in the century-old tradition of the Scot John Rae, who argued, contrary to Adam Smith, that national interests and individual interests were not identical. Rae, like Smith and unlike Manoilescu, however, focused on individual and national wealth, not productivity and profitability. See Rae (1834), chap. I, esp. p. 62.

85. A. Robinson (1987), p. 96.

86. Rosenstein-Rodan noted that the private investors would maximize the private, not the social, marginal net product. “Natura” (1984), p. 215.

87. M. Manoilescu, *Forfele*, pp. 136–37.

88. The coefficient of quality was equal to average net production of an industry (roughly, value added) divided by the square root of the product of the number of workers times the amount of fixed capital, or $Q = \frac{P}{\sqrt{AxC}}$. *Forfele*, p. 147.

89. *Forfele*, p. 160. Agricultural and industrial countries were so distinguished by their exports. *Siècle*, p. 28, n. 2.

90. *Forfele*, pp. 160–61. Manoilescu thought that the price scissors of the Great Depression was a “passing” phenomenon (p. 353).

91. In 1954 Lewis “independently advance[d] the argument first made by the Rumanian writer Manoilescu . . . that protection is justified in [lesser developed countries] on the ground that wages in industry are excessive in relation to agriculture.” Findlay (1980), p. 70. See Lewis, “Economic Development” (1954). Three decades later Lewis recalled no influence of Manoilescu in developing his own theory. Lewis to author, Princeton, N.J., 6 May 1986.

92. The formula in note 88 could be modified to include land, by replacing the square root of AxC by the cube root of $AxCxO$, where the last term represents the amount of land cultivated in a given branch of agriculture. *Forfele*, p. 149.

93. *Ibid.*, p. 330 (“relative utility”). He had nothing to say about other components of the service sector, such as government or professional salaries and fees.

94. *Ibid.*, p. 279; *Théorie*, p. 183.

95. M. Manoilescu, *Forfele*, p. 304; *Théorie*, p. 342. He added that there was no sacrifice by society under a protectionist regime, as List’s theory had indicated; on the contrary, the whole nation benefited because of the higher productivity gained. “In that regard, the bourgeoisie, following its own interests, has helped the whole people” (*Forfele*, p. 304). Adam Smith’s invisible hand worked under a protectionist regime as well as any other!

96. M. Manoilescu, *Forfele*, p. 302. They might persist, one assumes, because of greater technological change in industry over the middle term.

97. M. Manoilescu, *Théorie*, p. 161. 98. M. Manoilescu, *Forțele*, p. 234.
 99. *Ibid.*, p. 262. 100. *Ibid.*, p. 288.
 101. *Ibid.*, p. 351.
 102. *Ibid.*, p. 365. Manoilescu did, however, momentarily defend autarky after the London economic conference of the League ended in failure in 1933. See his “Autarhia” (1934), esp. pp. 15–19.
 103. *Forțele*, p. 362.
 104. *Ibid.*, p. 89.
 105. M. Manoilescu, “Productivitatea,” p. 2.
 106. M. Manoilescu, “European Economic Equilibrium” (1931), p. 2.
 107. M. Manoilescu, “Curs” (1940), p. 331.
 108. *Forțele*, p. 44. Note the same notion in Stere and Racovski in Chapter 2. Elsewhere, a division of the world into plutocratic and proletarian nations had been identified by the Italian proto-Fascist Enrico Corradini (1910), and the Chinese theorist who introduced Mao Tse-tung to Marxism, Li Ta-Chao (1920). Corradini (1973 [Ital. orig. 1910]), p. 146; Meisner (1967), p. 144. Modesty aside, Manoilescu believed that just as Marx had explained the exploitation of social classes, he had explained the exploitation of peoples. M. Manoilescu, *Siècle*, p. 29.
 109. As late as the 1940s, M. Manoilescu still had not abandoned the idea of “raising the purchasing power of agricultural countries,” at least as a rhetorical device. *Forțele*, p. 375. This goal would be successively taken up by ECLA and UNCTAD later.
 110. *Buletinul Uniunii Generale a Industriașilor din România* (hereafter *Buletinul UGIR*). The UGIR had been preceded by an ephemeral association organized by Petre Aurelian called the Societatea “Industria.” From 1909 to 1928 UGIR had the same president as the Union of the Chambers of Commerce and Industry, but divergent interests separated the groups again at the end of the period. For details of UGIR’s history, see speeches by Constantin Bușila, president of UGIR, and Chr. Staicovici in *Buletinul UGIR* 8, nos. 9–10 (May 1929): 122–24, 144.
 111. Ștefan Cerkez, president of UGIR, *Buletinul UGIR* [manifesto] 1, no. 1 (Apr. 1922): 2.
 112. Ștefan Cerkez, president, and C. R. Mircea, director general, “Memoriul rezumativ al doleanțelor industriei,” *Buletinul UGIR* 2, nos. 5–6 (Mar. 1923): 375.
 113. Anon., “Darea de seamă,” *Buletinul UGIR* 4, no. 5 (May 1925): 287; C. R. Mircea, president of UGIR, statement on 23 November 1932, cited in Christodorescu, *Problema* (1933), pp. 31–32; Anon., “Reducerea duratei muncii la 40 ore pe săptămână,” *Buletinul UGIR* 13, nos. 9–12 (Sept.–Dec. 1935): 2.
 114. Anon., “Darea de seamă,” *Buletinul UGIR* 4, no. 5 (May 1925): 287.
 115. C. R. Mircea, “Industria națională,” *Buletinul UGIR* 5, no. 1 (Jan. 1926): 2; Mircea, “Agricultura și tariful vamal,” *Buletinul UGIR* 6, nos. 3–4 (Feb. 1927): 50.
 116. C. R. Mircea, “Industria națională,” *Buletinul UGIR* 5, no. 1 (Jan. 1926): 3.
 117. C. D. Bușilă, president of UGIR, “Expunerea,” *Buletinul UGIR* 9, nos. 1–4 (Jan.–Feb. 1930): 1.
 118. Anon., “Drumul nostru [editorial],” *Buletinul UGIR* 6, no. 1 (Jan. 1927): 2; George D. Cioriceanu, “Noua orientare în economia națională,” *Buletinul UGIR* 10, nos. 3–4 (Feb. 1931): 84.
 119. C. R. Mircea, “Darea de seamă,” *Buletinul UGIR* 10, nos. 3–4 (Feb. 1931): 204, 206.

120. Anon., “Drumul nostru [editorial],” *Buletinul UGIR* 14 [?], nos. 10–12 (Oct.–Dec. 1936): 1.

121. George D. Cioriceanu, “Noua orientare în economia națională,” *Buletinul UGIR* 10, nos. 3–4 (Feb. 1931): 206; Gh. Brânzescu, “Cîteva constatări,” *ibid.*, 17, nos. 1–2 (Jan.–Feb. 1939): 13; Ion Veverca, “Tensiunea demografică și industrializarea,” *ibid.*, 17, nos. 7–8 (July–Aug. 1939): 6; I. Bujoiu, “Desvoltarea industriei românești în ultimii ani,” *ibid.*, 18, nos. 5–8 (May–Aug. 1940): 7.

122. Kofman makes the general point that state bureaucrats welcomed M. Manoilescu’s ideas and program. “How to Define” (1990), p. 30. See Chapter 3 for Lucrețiu Pătrășcanu’s analysis of the royal dictatorship.

123. In October a new Ministry of Armaments was also created, soon to be put under the direction of Victor Slăvescu, a President of UGIR with a much stronger background in economics than his predecessors. On institutional changes see Savu (1970), pp. 180–83.

124. Rumania: Consiliul (1939), pp. vii, viii (quotation), x.

Chapter 6

1. M. Manoilescu, *Forțele* (1986), p. 44.

2. E.g., see Popa-Vereș (1938); and Ionescu-Șișești (1940).

3. He estimated that a certain proportion of industrial imports, such as metal tools and cotton textiles, were destined for the countryside and villages. “Triangle,” pp. 20, 21.

4. Manoilescu equated “villages” with “rural inhabitants,” as did other Rumanian writers of his era. In this calculation, Manoilescu assumed that the difference in exports and imports—81 million francs, a sum that included payments for invisibles and profit remittances—mainly accrued to the cities. The assumption seems largely justified, in that agricultural surpluses in the commercial balance repaid foreign-held bonds for urban improvements. See “Triangle,” p. 19.

5. *Ibid.*, pp. 20, 22.

6. *Ibid.*, p. 19.

7. *Ibid.*, pp. 17, 18, 22.

8. In his “Triangle,” Manoilescu based this generalization on data for only two years, 1935 and 1937; as Rumania recovered from the Depression in the latter year, foreign trade almost doubled, but the transfer of income from the countryside to the cities rose two and a half times. *Ibid.*, p. 22.

9. *Ibid.*, pp. 22, 26.

10. In modern economic parlance, when the marginal productivity of labor in agriculture is below that of other economic endeavors, surplus labor should be moved to industry or other higher-productivity activities. See a discussion of the Manoilescu argument in Corden (1965), pp. 60–61.

11. M. Manoilescu, “Triangle,” pp. 25–26.

12. *Ibid.*, p. 19.

13. *Ibid.*, p. 20.

14. Cf. a similar argument for late imperial Russia in Nicolas-On (1902), p. 448.

15. M. Manoilescu, “Triangle,” p. 19, note 5; p. 21.

16. He assumed that, in money terms, urban dwellers consumed at least as much agricultural production as the villagers, whose expenditure he was able to generalize from local monographs on family budgets. In fact, Manoilescu noted, urban expenditures were