
Manoilescu II: Internal Colonialism and Corporatism

While Manoilescu courted Rumanian industrialists, by 1940 he had also extended his foreign trade thesis to encompass economic relations within national boundaries. The same kind of “unequal exchange”—a phrase he specifically employed¹—that occurred between agriculture and industry in international trade also occurred within backward countries, he alleged. Ultimately, however, surplus labor in agriculture would be drawn into the cities, potentially raising wages in agriculture to the same level as those in industry. Thus industrialists who employed former peasants were furthering development.

From his trade theory, in 1940 Manoilescu derived a model of internal colonialism *avant la lettre*, possibly the first in the world that attempted to measure the process.* His scheme had four elements—the city or “primate region” with an urban, industrial node; the agricultural hinterland; the foreign trade sector; and the state. In the Rumania of the Depression era, the contrast between the wealth of the cities and the poverty of the countryside was stark, as noted in Chapter 4.

*M. Manoilescu [sic], “Triangle” (1940). Manoilescu did not use the phrase “internal colonialism,” which gained broad currency only in the 1960s. For a history of the idea of internal colonialism and a survey of its different traditions and contemporary uses, see Love, “Modeling” (1989).

By my definition, internal colonialism is a process of unequal exchange, occurring within a given state, characteristic of industrial or industrializing economies, capitalist or socialist. As the economy becomes more differentiated with regard to region, factors and income flow from one or more geographically definable area to another, based primarily on price mechanisms, and secondarily (or not at all) on fiscal transfers; the state may nonetheless play a decisive role in setting price ratios, and differential regional effects of foreign trade are relevant. At the minimum, the process involves a structural relationship between leading and lagging regions (or city and hinterland) of a territorial state, based on monopolized or oligopolized markets, in which growth is progressively “inequalizing” between populations of these constituent geographic elements, rather than “equalizing.” Internal colonialism is distinct from colonialism per se, in which an alien state enforces monopsony in labor markets, or even prescribes wage levels and labor drafts, such as the *repartimiento* of the Spanish American empire or the *corvée* of French colonial Africa. This definition can be applied to Manoilescu’s model and one developed by Hans Singer and Celso Furtado in Brazil after World War II (see Chapter 10). The definition by itself does not, of course, establish that the phenomenon exists.

Other Rumanian scholars were attempting to analyze and suggest remedies for the deteriorating commodity terms of trade of agricultural goods against those of manufactures.² But Manoilescu went on to model the problem, deriving his analysis largely from his theory of international trade. He purported to demonstrate how urban, industrial areas exploited rural, agricultural hinterlands within national boundaries. Using Rumania as a case study, he discerned exploitation in three processes, two of them commercial and a third fiscal. The first was international trade. Having data on the value and nature of the commodities exported, Manoilescu was easily able to demonstrate that the greater part of Rumania's exports (by value) originated in agriculture, though this share was decreasing as the century advanced and petroleum exports rose. It was more difficult to measure the destination of imports, but again, by their nature, Manoilescu was able to dichotomize imports between those destined for the cities and those for the countryside.³ By this reasoning, in 1913 Rumania's villages exported goods worth 530 million gold (French) francs and received 120 million in return; the cities and the mineral sector (i.e., the oil industry) exported 141 million and received 551 million in return. Thus a gain of 410 million francs to the cities was the same net loss to the villages.⁴ In 1937 the villages exported 18,300 million lei (Rumanian currency) and received 2,400 million from abroad; the cities and mineral producers exported 13,266 million and received 29,166 million, resulting in a net transfer of 15,900 from the villages to the cities.⁵ The towns were great beneficiaries in this exchange and the villages and countryside great losers, according to Manoilescu: the bulk of exports originated in the countryside and villages, but the cities received most of the imports. Manoilescu summed up his argument with the judgment, "The economic triangle formed by the village, the city and the export market play the special role of transforming the commodity surplus produced by the village into consumer goods, to the advantage of the city."⁶

Part of the problem was that great landlords, whom Manoilescu considered "rural" *qua* producers, were "urban" *qua* consumers and spent much of their foreign proceeds in the cities. Before the nineteenth century, when industry got its start, the situation had been even worse, Manoilescu surmised, because the cities under Phanariot rule and Turkish suzerainty (i.e., unalloyed colonialism) were almost wholly centers of consumption; agricultural exports were used to purchase luxury manufactures abroad. Incipient industrialization, he thought, had indirectly diminished the exploitation of the countryside by reducing dependence on international trade.⁷ In accordance with his international trade theory, Manoilescu also perceived a greater transfer of income from the countryside when foreign trade was greater.⁸ Manoilescu believed that as workers were transferred to industry in ever-larger numbers, in the long run rural wages would rise, thus reducing the exploitation of rural labor and bringing about the possibility of an equalization of wages and productivity between city and hinterland.⁹

For such reasons backward countries should industrialize, he held. As noted in

Chapter 5, Manoilescu is remembered in modern development theory for the “Manoilescu argument,”¹⁰ and nowhere does he sum up this proposition better than in his little-known study “The Economic Triangle”: “Marginal workers, whose labor in agriculture is needed less and less, and whose personal consumption may even surpass the value of their production, form an unproductive category from the economic point of view, and a destitute group from the social point of view. They form a class of underemployed [*demi-chomeurs*].” He adds that such persons should migrate to urban areas to seek industrial employment.¹¹

For Manoilescu a second process of exploitation occurred in direct trade between the city and the countryside. The latter, he held, typically has a positive commercial balance with the city, just as the agricultural-exporting country typically has such a balance with its industrial trading partner. Both typically have a negative balance of payments, however.¹² (Here Manoilescu is referring to capital flows; the balance of payments—current, capital and cash accounts—could not be negative over the long run.) One source of income transfer occurred through the mechanism of debt repayment, Manoilescu observed. The land reform in Rumania had diminished the exploitation of the peasantry, but usury had done much to restore it. The countryside was greatly indebted to urban creditors, and usurers received 14 percent annual interest on their loans, according to Manoilescu, in a period of falling agricultural prices.¹³ Villagers also paid indirectly for interest on state bonds, assets almost entirely held by landlords and urban dwellers.¹⁴ Payments on foreign-held debt were also covered by exports, the bulk of them from the countryside.¹⁵

Manoilescu was not able to determine directly what percentage of agricultural income was spent on products of the cities; but by relying on scientific studies of village life by Dimitrie Gusti’s Institutul Social Român, including peasant budget data, he was able to make an estimate. Using the same materials, he also established a lower bound for consumption of agricultural goods in the cities.¹⁶ Having estimates for both urban and rural dwellers’ expenditures on each other’s goods, he concluded that there was a net flow of goods (or payments) to the urban areas.¹⁷

These two forms of exploitation, urban-rural and international (both involving the subordination of agricultural producers to urban-industrial groups), were, Manoilescu believed, characteristic processes of modern capitalism, according to the models examined here and in the previous chapter. A third form was also present in Rumania but was circumstantial rather than necessary. This was fiscal exploitation, a problem Manoilescu had investigated firsthand as undersecretary of finance in 1926. Though urban inhabitants in Rumania paid the treasury four times more per capita than their rural counterparts in 1925, they received six times as much in state expenditures.¹⁸ Manoilescu calculated that in 1925, 68 percent of state outlays went to the cities, while only 12 percent went to the countryside; the remainder was sent abroad for debt servicing.¹⁹

The Great Depression increased the differentiation between the country's constituent sectors, owing to the widening "price scissors" between agricultural and industrial goods in Rumania. Because the income gap between urban and rural inhabitants was growing in the 1930s, thought Manoilescu, urban areas depended on each other more than ever for their markets, since the peasantry was destitute.²⁰ In general, Manoilescu argued, the gap in income and wealth between city and countryside was greater in underdeveloped countries than in modern industrial nations.²¹ Because all trade between industrial and agricultural producers involved exploitation, Manoilescu held, the state, at least in theory, could address the problem of internal colonialism to limit exploitation in a way it could not in international commerce.²²

Although exploitation of ethnically subordinate groups did not form part of Manoilescu's analysis, as it did in some later treatments of internal colonialism,²³ ethnic differentiation of exploiter and exploited did not escape him, but it occurred in a manner contrary to that observed in the 1960s by Pablo González Casanova in Mexico, where the Indian communities formed an oppressed minority. Manoilescu noted that ethnic minorities in interwar Rumania—a country that had doubled its national territory after World War I—were overwhelmingly urban dwellers, while ethnic Rumanians formed almost the whole of the peasantry. Thus the townsmen, and by implication the exploiters, were not only the ethnically Rumanian landlords who spent their wealth in the cities but also Jews, Germans, and Hungarians, who composed a disproportionately large share of the urban population and tended to control industry, banking, and commerce.²⁴ Despite the withering criticisms from contemporary critics of Manoilescu's theory on trade and productivity (see following section), one might still argue that Manoilescu's model of internal colonialism survived to the extent that it described a process of income flows accurately, even if the author's explanation of the underlying causes was incorrect. In particular, the exploitation of town by countryside had more to do with social configurations (landlord-peasant relations) than with trade as such.

Manoilescu's economic program today would be described as state-directed import-substitution industrialization. Presumably, if the agrarian country succeeded in transforming itself into an industrial nation, it could—and would be advised to—follow the practice of presently industrialized countries and ultimately export manufactures.²⁵ But Manoilescu does not seem to have made such a strategy explicit;²⁶ he preferred to emphasize the long-run gains from expanded trade to be reaped by the currently industrialized countries²⁷ and did not consider the implications for those countries even further behind in the race toward high productivities than the ones that would adopt his policies. If he had, the political appeal of his argument might have been strengthened because the later a country jumped on the bandwagon, the fewer countries would remain to exploit through unequal exchange.

Although Manoilescu's *Theory of Protectionism* was published in six languages by the late 1930s and was well-received in some journals,²⁸ as a whole the economics profession in the 1930s greeted Manoilescu's theses with hostility.²⁹ The Swedish economist Bertil Ohlin, perhaps the leading neoclassical trade theorist of the 1930s,³⁰ criticized Manoilescu's assumptions: Why should the average productivity of all national industries be considered representative of that of the export industries? What justified the assumption that the price level of factors is everywhere equal, when it was known that money wages in the United States were more than ten times higher than in Rumania? Why did Manoilescu consider only labor productivity in his calculations and ignore capital and land?³¹ (Manoilescu did consider these two factors in theory and gave formulas for their measurement but attempted to obtain cross-country empirical data only for labor productivity.) "It goes without saying," Ohlin remarked, "that the output per worker does not provide any test as to productivity, as the quantity of other productive factors used per worker is widely different in different industries." Wages, Ohlin argued, were a better measure of labor productivity across industries.³² In addition, Ohlin observed, Manoilescu's assumption of constant costs and fixed prices on the world market, in the face of changing trade relations, led to the absurd conclusion that "it would pay to produce only manufactured goods and import agricultural products" in his "agricultural country."³³ Ohlin's "fundamental criticism," however, was that, as Manoilescu assumed that factors of production can move from activities with low productivities to those with high productivities, the benefits from protection arise from the allegation that protection causes the transfer. But why, Ohlin asked, did this transfer not occur *without* protection inasmuch as price signals should favor the industries with higher productivities?³⁴

Jacob Viner, the leading trade theorist in the United States in the 1930s, agreed with Ohlin's critique but thought he had conceded "too much" to Manoilescu. If domestic prices or wages were higher in one economic activity than in another, one had to consider the *reason* for it, which might well be artificial wage rates through trade union monopoly. Viner agreed that protection of manufactures could raise the real income of a country if it had a comparative labor advantage in manufacturing and if trade union monopoly kept wages so high in industry that imports could underprice domestic manufactures. But he pointed out that free trade could achieve the same end by forcing a reduction in industrial wages and revealing true comparative advantages in market prices. Viner dismissed Manoilescu's book with the judgment, "The task of finding an intellectually satisfactory economic defense of protection still awaits achievement, and has not been carried forward by this attempt."³⁵

In 1937, five years after writing his review of *The Theory of Protectionism*, Viner published a major theoretical volume, defending and extending the neoclassical theory of international trade. Among his contributions was the "liberation" of

the doctrine of comparative costs from the labor theory of value, accepted by Ricardo and some non-Marxist economists into the 1930s, including, of course, Manoilescu.³⁶ In his *Studies in the Theory of International Trade*, Viner pointed out that "the association of the comparative cost doctrine with the labor-cost theory of value" was a "historical accident." Most classical economists other than Ricardo expressed real costs as ultimately subjective phenomena—what were later called "disutilities" (e.g., the postponement of consumption or the irksomeness of labor)—though "they generally assumed that disutilities were proportional to quantities of the services of the factors [of production]." Nevertheless, a later commentator, Nicholas Georgescu-Roegen, was skeptical that Viner had had the last word.³⁷

Not only was Manoilescu attacked in western Europe and the United States; in Rumanian academic circles his theses were probably contested more than they were accepted in the 1930s. A sharp critic of both *Theory of Protectionism* and *Century of Corporatism* was George Tașcă, rector of the Academy of Commercial and Industrial Studies in Bucharest and a former minister of commerce and industry.³⁸ Tașcă, a liberal antifascist with doctorates in both law and economics from the Sorbonne, reiterated several of Ohlin's arguments. A striking point of his own, aimed more at Manoilescu's nationalist credentials than his economic analysis, began with the concession that his opponent might be right that a Rumanian peasant gave ten days' labor for one day's labor embodied in a manufactured product purchased abroad. But because Manoilescu allowed that national manufacturing industry was only one-fourth as productive as foreign competing industries, the same Rumanian peasant under a closed economy would have to exchange forty days' labor instead of ten, to acquire the same industrial product. Writing in 1937, when Rumanian imports from Germany were rising rapidly (to exceed half the total by 1939), Tașcă twisted the knife by adding that in the first case, the peasant would be exploited by a German industrialist; in the second, because of the underrepresentation of ethnic Rumanians in manufacturing enterprises, he would be exploited by an industrialist of Rumania's German minority community.³⁹

A critical but more favorable review of the expanded German edition of Manoilescu's *Theory of Protectionism*, published in 1937, was that of Michal Kalecki. The Polish economist, then working in England, was regarded in the postwar period as one of the leading macroeconomists of his generation and an authority on economic development. Though noting with interest Manoilescu's assertion that capital per worker rather than the quantity of labor expended determines prices, as per Ricardo, Kalecki criticized Manoilescu for not using neoclassical criteria for economic optima, based on the marginal productivities of labor and capital. He further noted that if Manoilescu's "specific capital" was the key to high levels of productivity, new capital investments had to be obtained at the expense of some other economic activity, and he asked if capital-starved

agriculture would provide it. Nonetheless, Kalecki agreed with Manoilescu's policy prescription of protection for new industries as a means of engendering capital formation and employment in underdeveloped countries.⁴⁰

Nor did Manoilescu find wide acceptance of his theses in Hitler's Germany, whose economists, as well as political leaders, he was courting, beginning with Werner Sombart.⁴¹ Carl Brinkmann, reviewing the German edition of Manoilescu's treatise on trade in 1938, criticized the Rumanian's approach to trade theory as outdated and static, based as it was on the classical's treatment of comparative costs, the labor theory of value, and average costs, whereas modern theory was based on comparative prices, modern (neoclassical) value theory, and marginal costs.⁴² Otto Fröhlich gave Manoilescu's theses equally bad marks in the same journal, *Weltwirtschaftliches Archiv*.⁴³

In 1939, however, Ernst Wagemann, head of the Institut für Konjunkturforschung (Business Cycles Research Institute) in Berlin, gave Manoilescu qualified support—with an *arrière pensée*. A leading apologist for the *Grossraumwirtschaft*, Wagemann wrote that he feared Manoilescu's analysis of international trade was "too good" and that unequal exchange occurred universally between agriculture and industry. He added that the industrialization of agrarian countries required foreign physical capital, which could be obtained only by export credits earned through the sales of traditional agricultural products.⁴⁴ He contended that because Germany now took more than half the Balkan countries' exports (as opposed to one-sixth in 1931), the *Grossraumwirtschaft* offered the best hope for Balkan progress. Development of the export market would ultimately lead to development of the domestic market, Wagemann asserted, but Germany could still profit from this eventuality by supplying the Balkan countries with capital goods.⁴⁵ Elsewhere Wagemann was more critical of Manoilescu.⁴⁶

Other strictures could be made about Manoilescu's supply-side economics, which assumes, for instance, that the new income created would necessarily be used to purchase "higher-productivity" goods. Furthermore, as services at the end of the twentieth century loom ever larger both in national product and international trade, the Rumanian economist's omission of the tertiary sector appears as an increasingly serious weakness in his theory.⁴⁷ Another problem is inconsistency in his voluminous writings, and it is sometimes difficult to separate Manoilescu's economic policy flipflops (e.g., for or against commodity price agreements in international trade as the prime objective, for or against autarky) from sudden turns in his theoretical analysis; the latter type of volte-face sometimes appeared in academic journals as well as in the shriller polemics of his corporatist review, *Lumea Nouă*. Asserting that the advantage of industrial countries in international trade falls secularly and "continuously,"⁴⁸ Manoilescu ignored the fact that the sharp and sustained depression of agricultural prices from 1925 to 1935 was not "predicted" by his theory. Further, the allegation that international trade was the *basis* for the wealth of Western countries⁴⁹ implicitly

conflicted with his observation that rich countries trade less with poor countries than with each other.⁵⁰ In the latter case, who was exploiting whom?

Manoilescu nonetheless had an important insight about the development process that was expanded and rigorously formulated by the American economist Everett Hagen in 1958. After considering longitudinal and cross-country data showing that wages (a measure of productivity) were consistently higher in manufacturing than in agriculture, Hagen demonstrated theoretically that "protectionism raises real income, relative to free trade, if the increase under protection in the aggregate cost of the industrial product to its buyers is less than the increase in income to the factors which shift from agriculture to industry." At the empirical level, citing the cases of the United States, Japan, the Soviet Union, and—perhaps less convincingly—Brazil, Colombia, and Mexico, Hagen wrote, "The broad historical record suggests that protectionism may have accelerated economic development."⁵¹ Hagen traced the origins of his thesis to insights by Gottfried Haberler and Jacob Viner but not to Manoilescu, whom he also mentions.⁵²

On the matter of the evolution of the world economy, it is clear that the Rumanian trade theorist—or as Ronald Findlay prefers to call him, the Rumanian "writer"⁵³—failed to take into account the dynamism of modern industrial capitalism. Manoilescu's assumption of static costs and prices implied a static technology, and had he lived into the 1960s he would have seen that developed countries' control of technological innovation made irrelevant much of the diffusion of industrial production to the Third World. Productivities in the dynamic sectors of manufacturing were still *relatively* low in Third World countries, and the income gap between developed and underdeveloped countries was not obviously closing.

Beyond his shortcomings as a theorist, Manoilescu's political activity and inconsistency in his advocacy of economic policies probably diminished the currency of his writings as an economist after the war. It seems probable that given his reception in parts of both agrarian Europe (including Iberia) and Latin America, Manoilescu would have attracted more attention as a precursor of development economics had it not been for his politics. In 1937, he was elected on the Iron Guard's ticket to the Rumanian senate, and in 1938, he saw political opportunity in an association with Nazi Germany. Up to that time, as a professor of economics at the Polytechnic in Bucharest and in many venues abroad, mostly of an academic nature, Manoilescu defended the thesis of the closed economy. He now began to support Hitler's *Grossraumwirtschaft*, and, though he was subsequently anything but consistent, Manoilescu renounced his thesis on international trade.⁵⁴ To take the public position that Rumania should become a supplier of agricultural goods and raw materials for Greater Germany seems to stand in the sharpest contradiction to Manoilescu's professed theoretical convictions. In 1939 he asserted that Germany would pay prices well above those of the world

market;⁵⁵ this action would implicitly eliminate or mitigate the degree of exploitation of the agricultural exporter by its industrial trading partner. In his academic writings in the 1940s, Manoilescu oscillated but usually defended some degree of industrialization for Rumania and other agrarian countries.

Finally, to understand Manoilescu's influence, we must give some attention to the economic aspects of his political thought. In his own day, Manoilescu was as well-known for his theory of corporatism as for his economic theses, although—and perhaps significantly—after the defeat of fascism he judged *The Theory of Protectionism* to have been his most important work.⁵⁶ His contemporaries considered *The Century of Corporatism* equally influential, if one may judge by its reception in Iberia and Latin America. Our interest concerns the relation between his political and economic views and the ways in which his political propositions contributed to the diffusion of his economic theses. There was such a relation, as is implicit in the judgment of the Brazilian demographer Josué de Castro that Manoilescu was a “Neo-St.-Simonian,” emphasizing the pro-planning, pro-industrialization, elitist, and organicist elements in Henri St.-Simon's thought.⁵⁷

Corporatism was an ideology that had its roots in the organicist social theory of medieval Europe, but its more immediate precursor was the “solidarism” of Léon Bourgeois (1851–1925), who sought to avert or minimize class struggle.⁵⁸ Frédéric LePlay (1806–82) was among the early theorists who called for collaboration between workers and capitalists. Corporatism had articulate defenders in Germany and Italy as well as in France before Italy became a corporate state during the course of the 1920s and 1930s. In Rumania, corporatist elements had already appeared in the constitution of 1923, allowing for a limited representation of corporations in the senate, along with directly elected members. Manoilescu himself represented the Chamber of Commerce in the Rumanian senate from 1932 to 1937.

In the interwar years corporatism was defended as the *terce solution, der dritte Weg*, to the problems of the modern economy, a path different from those laid out by communism and free-market capitalism. For a variety of corporatist theorists, prices would be set to achieve a just division of the social product, based on costs of production.⁵⁹ Although Manoilescu's *Century of Corporatism* appeared in 1934, near the high tide of the vogue of that doctrine, his views on the subject had developed alongside his economic thought from the early 1920s. In 1923, the same year the new Rumanian constitution was approved, he had written a pamphlet titled *Neoliberalism*,⁶⁰ in which the author argued that postwar liberalism was fundamentally different from its nineteenth-century forebear. For Manoilescu, neoliberalism accepted the need for the representation of social classes rather than of individuals and sought to effect an “equilibrium” of such groups. Unlike the old gendarme state, its neoliberal successor would be a permanent interventor in the social process. The nation, rather than the individual, was now

the “elementary organic unit” of society. Instead of the freedom and equality of individuals, neoliberalism would seek to secure the freedom and equality of nations. In Rumania, a neoliberal party could not be based on a single class, for the reason that it must have authority over selfish class interests.⁶¹

In 1932, after his association with several political parties and currently out of favor with the king, Manoilescu pronounced himself a full-fledged corporatist. He launched *Lumea Nouă*, a monthly political review, in April; in September, he outlined his theory of corporatism in his maiden speech in the Rumanian senate.⁶² Manoilescu proceeded to organize a corporatist party in 1933.⁶³ The following year he published *The Century of Corporatism: Doctrine of Integral and Pure Corporatism*.⁶⁴ The century in question was our own. Just as the last century had been that of liberalism, so this one would be that of corporatism, whose historical necessity Manoilescu now proclaimed. All [European?] societies had been corporately organized until the French Revolution, but the industrial revolution had required the liberal state and the destruction of mercantilist policies to maximize capitalism’s economic potential.⁶⁵ In the new corporatist society, the guiding principle of organization would be substituted for that of profit.⁶⁶ Among the competing versions of corporatism, Manoilescu distinguished his own with the assertion that true corporatism had two basic characteristics: it was “integral” because it included not only economic corporations but also noneconomic corporate bodies such as the army and the church. It was “pure,” he intoned, because corporations formed “the only legitimate basis” for the exercise of political power and could not be subordinated to the state. Thus the Fascist system in Italy failed the test because corporations in Italy were manifestly controlled by the state.⁶⁷

For Manoilescu the “dominant,” but not the sole, reason for the rise of corporatism in the current century was the West’s loss of its industrial monopoly, resulting in the Great Depression, as European countries failed to place goods in their agricultural dependencies.⁶⁸ Thus, as traditional markets disappeared, the West faced an economic crisis that could be properly confronted only by implementing the new principle of organization.⁶⁹ There was a widespread tendency toward autarky, and this trend could stimulate national economic integration (“solidarity”).⁷⁰ The corporatist state would not be neutral, as the nineteenth-century liberal state sought to be, but must be “the bearer of ideals.” In this respect, Fascist Italy offered the “prototype” of the new state—apparently not withstanding the fact that Italian corporations were controlled by the regime.⁷¹

In the past century, liberty was the (social) ideal; under corporatism, the ideal would be organization, which Manoilescu termed the fourth factor of production.⁷² The four “imperatives” to be achieved by the corporate state were organization, national solidarity, peace and international collaboration, and “decapitalization,” that is, decreasing the rate of profit, when necessary, for the public interest. Manoilescu repeated his earlier thesis that there was a clash between

the benefit to the individual entrepreneur and the benefit to the collectivity, a notion he preferred to call "productivity," apparently in the sense of the average value (or a weighted average) of output per worker. This conflict in fact was the "great antithesis" between corporatism and liberalism in economics.⁷³ Production and foreign trade must be directed toward goods that permit the acquisition of a maximum of the product of foreign labor with the minimum expenditure of labor of one's own nation. This was "organized production and organized trade."⁷⁴ Thus, in a backward agrarian country, the implementation of the corporatist regime was a means for achieving the author's economic program.

At the level of economic theory, of course, the previous criticisms of his arguments apply to the short and rhetorical version embedded in *Century*. It may also be asked why, if the social weal in the form of labor productivity rather than entrepreneurial profit was the value to be maximized, Manoilescu did not pursue the notion of price formation as a function of accords among corporations and trade unions in an age of highly organized labor and capital markets.⁷⁵ Othmar Spann, the Austrian corporatist, believed, however naively, that the relationship between functional corporations should determine prices and that collective bargaining would force employers into cartels, thereby promoting corporatism.⁷⁶ During the 1930s other corporatists such as François Perroux also concerned themselves with price formation under oligopolistic conditions, as did leading noncorporatist economists such as Edward Chamberlin and Joan Robinson.⁷⁷

Manoilescu wrote that in its social dimension, the corporation was a "vertical" form of social solidarity, as social classes were a "horizontal" form. Furthermore, in "integral and pure corporatism," the state was both a corporation and a "supercorporation" to coordinate and equilibrate corporate bodies.⁷⁸ It would replace political parties in balancing reactionary and revolutionary tendencies and also in integrating social classes, a function sometimes attributed to parties. Parties were outmoded, but the corporate regime would not forcibly end them, Manoilescu announced in *Century of Corporatism*.⁷⁹ Yet only two years after writing *Century*, he reversed himself in a work called *The Single Party*,⁸⁰ declaring Europe's authoritarian regimes to be a necessity during the period of transition from liberalism to corporatism.

Given the controversial and inconsistent figure that Mihail Manoilescu cut, it is hardly surprising that his political ideas were vigorously attacked in Rumania, including those that were closely associated with his trade theory. George Tașcă, the professor who had sharply criticized Manoilescu's economics, took on the latter's corporatism in the same essay: Manoilescu caricatured liberalism by presenting a laissez-faire straw man, wrote Tașcă, when in 1923 Manoilescu had in fact presented a modern, interventionist version of the doctrine in his essay *Neoliberalism*. Manoilescu wanted autonomous corporations, unlike those existing in present-day corporatist regimes, but in reality a choice had to be made between strong corporations and a strong state, thought Tașcă.⁸¹ He also con-

tinued his critique of Manoilescu's trade theory, leading the latter to reply that the link between his economic and social thought was "conditioned and limited."⁸²

Was there any consistency in Manoilescu's political writings, as opposed to his political activities? One finds a consistent defense of elite leadership, which Manoilescu himself pointed out.⁸³ Philippe Schmitter, who has most fully placed Manoilescu's political thought into the context of the development of corporatism—and who provides a discussion of his economic theses as well—does not take into account the Rumanian's opportunism in his shift from supporting industrialization to the *Grossraumwirtschaft*, even though he sees a certain logic in the shift from a defense of the corporatism of autonomous corporations to that of the single party. The latter was the instrument for achieving corporatism, although there was a contradiction here, Schmitter notes, for in *Century of Corporatism* two years before *Single Party* Manoilescu had predicted the end of political parties.⁸⁴ Schmitter did not follow Manoilescu's political career closely, and he missed the latter's attempt to position himself for a major political role in Rumania under Nazi aegis.

Indeed, had the Rumanian's political associations in the late 1930s and the war years been less closely linked with Rumanian fascism and the aspirations of the Third Reich, his emphasis on the double factorial terms of trade, the "Manoilescu argument" that disguised unemployment in agriculture should be remedied by moving idle labor to industrial activities, his attempt to theorize about unequal exchange, and his model of internal colonialism all might have been more influential in Third World nations in the postwar era.

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

probably much greater because factory workers' incomes were more than twice as large as agricultural workers'. Per capita income in the cities, moreover, was at least four times that of the countryside. *Ibid.*, pp. 23–24.

17. *Ibid.*, p. 24. In an accounting sense, of course, the payments between city and countryside had to balance. A presumably large but undetermined share of the difference in the accounting and real income flows owed to payments to landlords residing in the cities.

18. M. Manoilescu, "Criterii" (1926), pp. 13, 16–17.

19. M. Manoilescu, *Rostul* (1942), p. 89.

20. M. Manoilescu, *Încercări* (1938), pp. 119–21.

21. M. Manoilescu, "Sozialökonomische Struktur" (1944), p. 11.

22. M. Manoilescu, "Curs" (1933), p. 359; *Forfele*, p. 44.

23. E.g., in González Casanova (1965), and Hechter (1975). Indeed, stratification and exploitation based on ethnicity formed part of the definition of internal colonialism in the work of these two writers.

24. M. Manoilescu, "Politica" (1940), pp. 229–30. For political reasons of the moment, perhaps, Jews are the only minority in this passage he mentions by name.

25. Nicholas Bukerow argues that Manoilescu's theory can be seen as having two stages: import-substitution industrialization and the export of manufactures, "allowing goods of ever higher labor productivity to increase their export share." Bukerow does not provide a citation for this interpretation, but in his view, the Communist regime in Rumania, inspired by Manoilescu, attempted to follow this policy and switched from stage one to stage two about 1965. The reader of the 1990s may judge how successful this effort was. Bukerow (1980), pp. 49 (quotation), 183, 202, 207.

26. In *Siècle* (1934), p. 368, Manoilescu recommends a policy of exporting manufactures, but it is not clear that he is directing his advice only to agrarian countries trying to industrialize; see below.

27. In an implicit contradiction; see below.

28. E.g., in *Revue Economique Internationale* (by Léon Hennebicq), *American Economic Review* (by Leo Pasvolksy), and in a medium of *haute vulgarisation*, the *Times Literary Supplement* (anon.).

29. It may have been Manoilescu whom Oskar Morgenstern, later known as the father of game theory, had in mind when he wrote, "In the esoteric circles of 'pure theory' the division between real science and amateur economics is quite clear: The occasional outbursts from outsiders, especially people trained in mathematics and engineering, who advance monstrous ideas, does not alter this to any great extent." *Limits* (1937), p. 122.

30. With Eli Hecksher, Ohlin demonstrated how comparative advantage is derived from differences in factor endowments among countries and how a country could profit by exporting goods whose production made the most intensive use of its most abundant factor.

31. Ohlin (1931), pp. 34–35.

32. *Ibid.*, p. 35.

33. *Ibid.*, p. 36.

34. *Ibid.*, p. 36. In the subsequent Rumanian edition (*Forfele*, p. 287), Manoilescu answered Ohlin by saying that certain industries would never be created in agrarian countries without artificial price incentives; this defense only amounts to List's infant

industry argument, though elsewhere Manoilescu defends new high-productivity industries from their first day of operation (see Chapter 5). Furthermore, Manoilescu misread Ohlin in saying that the latter approved of tariffs to the extent that they maintain high salaries, obtained through the activities of trade unions as noncompeting groups (p. 293).

35. Viner, Review of M. Manoilescu, *Theory* (1932), pp. 121–25 (quotation on p. 125). Manoilescu responded to Viner in the Rumanian edition of his work (pp. 252–54) but did not address the issue of trade union monopoly as the reason why wages, prices, and productivity (by Manoilescu's definition) might be higher in those industries for which Manoilescu found empirically higher cross-national data to support his case.

36. See Baumol and Seiler (1979), pp. 784–85.

37. Viner, *Studies* (1937), pp. 490, 492. Georgescu-Roegen, the most important Rumanian economist after 1945 and a major figure in the American profession, wrote: "Viner kept decrying Manoilescu's thesis. . . . Yet even Viner . . . finally weakened, as he sought to justify the classical doctrine by the difference in occupational disutilities." Georgescu-Roegen, "Manoilescu, Mihail" (1987), p. 300.

38. On the Taşcă-Manoilescu debates, see Paiuşan and Buşa (1990).

39. Taşcă (1937), pp. 40–41. The exploitation of Rumanian peasants by urban ethnic minorities was a process Manoilescu had condemned. In a reply to Taşcă, Manoilescu stated that his program would benefit Rumanian agriculture—an allegation that was correct in the long run, if workers sought jobs in industry and relative prices and wages in agriculture rose. M. Manoilescu, "Doctrinile" (1937), p. 56. Long-run terms of trade data available at the international level in the latter 1980s, however, seemed to indicate the predicted process was not occurring. See Chapter 8.

40. Kalecki review of M. Manoilescu, *Nationale Produktivkräfte* (1938), pp. 708–11. Kalecki wrote that because of "unemployment, manifest or disguised," in agricultural countries, the supply of new savings is not fixed but is "equal to the investment undertaken," and new industries could create opportunities for investment and employment (p. 711).

41. See the reference to Sombart implying his approval of Manoilescu's doctrine in *Forțele*, p. 44.

42. Brinkmann (1938), esp. pp. 276–79. Viner had made similar criticisms. In fact, Manoilescu inconsistently employed both the (classical) labor theory of value and the (neoclassical) marginalist price theory, based on the utility and availability of goods (and inversely on their scarcity). He accepted the neoclassical concept of economic equilibrium based on a marginalist explanation of prices. Manoilescu distinguished between "internal" and "external" values: the former were derived from the creation of goods, accounted for costs of production, and were explained by the labor theory of value, as modified by his "qualitative" stratification of labor inputs, based on capital per worker. "External value" was derived from utility and expressed a quantitative relation between the utilities of two goods; it was therefore explained by marginalist considerations. *Forțele*, p. 73; "Curs" (1940), pp. 22–25. Also see Sută-Selejan and Sută (1972), pp. 35–36.

43. Frölich (1938).

44. Wagemann, *Neue Balkan* (1939), pp. 65–70.

45. *Ibid.*, pp. 104, 120–22, 135.

46. See the summary of Wagemann's critique of Manoilescu and an unfavorable assessment of Wagemann's own thesis in Roberts (1969), pp. 217–18.

47. Manoilescu referred to members of the liberal professions and civil servants as a “pseudo-bourgeoisie” in *Rostul* (1942), p. 110.

48. M. Manoilescu, *Forfele*, p. 347.

49. M. Manoilescu, *Theorie* (1929), p. 103.

50. M. Manoilescu, *Forfele*, p. 350.

51. Hagen (1958), pp. 498–503, 511 (quotation), 513. Hagen also shows that a policy of subsidies will in theory raise real income higher than protection will, and the *optimum optimum* is a combination of free trade and subsidies (p. 498).

52. *Ibid.*, pp. 496–97.

53. Findlay (1980), p. 70.

54. See his defense of the *Grossraumwirtschaft*, with concessions to the idea of some Rumanian industrialization, in *Ideia* (1938); “Solidaritatea” (1939); and “Economia” (1942). Apparently untroubled by his inconsistency, Manoilescu continued to defend industrialization for backward countries in “Mehr Industrie” (1938); “În ce constă” (1940); “Triangle” (1940); “Sozialökonomische Struktur” (1944); and “Probleme” (1945). Another Balkan economist, Otto Frangeš of Yugoslavia, was similarly inconsistent between supporting a policy of industrialization for his country and supporting an agricultural role for it within the Greater German Economic Space. Frangeš backed the latter as early as 1933, using the “threat” of Yugoslavian industrialization if his country could not sell its agricultural goods in Germany; in 1938, he supported industrialization for southeastern Europe; and in 1941 (when Yugoslavia was under German occupation) he once again backed the *Grossraumwirtschaft*, allowing for some local industrialization, while arguing that the Danubian states (Hungary, Rumania, Yugoslavia, and Bulgaria) could meet all the agricultural needs of Germany and its dependencies. See “Wirtschaftlichen Beziehungen” (1933), pp. 133, 142–43; “Industrialisation” (1938), pp. 68, 76; “Treibenden Kräfte” (1938), pp. 327, 338–39; and “Donastaaten” (1941), pp. 285, 287, 311–12, 315.

55. M. Manoilescu, “Solidaritatea” (1939), pp. 8–9. In fact, German trade officials did use the overvalued mark to pay prices in some instances “well above the international level” to exporters as part of a strategy to bring southeastern Europe under Germany’s economic sway. But these purchases were often in the form of credits rather than goods, and the latter were not fully delivered. The end result was a strong form of unequal exchange. Berend and Ranki, *Economic Development* (1974), pp. 276–78.

56. M. Manoilescu, “Memorii,” p. 601.

57. J. Castro (1960), p. 79.

58. Another important social theorist between St.-Simon and Bourgeois was Auguste Comte, who, like his mentor and employer Henri St.-Simon, visualized an industrial society free of class conflict. Comte championed a paternalist role for the state vis-à-vis the working class and made the family, rather than the individual, the foundation of society. His program of modernization without social mobilization appealed to progressive conservatives in Latin America during the latter years of the last century and may have laid a foundation there for the reception of corporatism after World War I.

59. Mladenatz (1942), p. 16; Perroux, *Capitalisme* (1938), p. 298 (“third solution”).

60. Note the same title of an essay published in 1928 by Ștefan Zeletin, the establishment Marxist, treated in Chapter 3. The term may be confusing today, for in the late twentieth century “neoliberalism” usually connotes an ideology supporting a market-centered economy.

61. M. Manoilescu, *Neoliberalismul* (1923), pp. 7, 8, 13, 14, 19.
62. M. Manoilescu, "Anticipare" (1932), pp. 1–9; "Memorii," p. 508.
63. See the detailed program of Manoilescu's National Corporatist League in International Reference Library (1936), pp. 208–23.
64. M. Manoilescu, *Le siècle du corporatisme: Doctrine du corporatisme intégral et pur*.
65. *Ibid.*, pp. 7, 12.
66. *Ibid.*, p. 16.
67. *Ibid.*, p. 17 (quotation); "Doctrinile" (1937), p. 31. For Manoilescu, King Carol's dictatorship with corporate trappings after 1938 also failed to qualify as authentic for the same reason. Nechita, "Doctrina" (1971), p. 216 (citing Manoilescu). Cf. Othmar Spann's criticism of Austria's corporate constitution of 1934 for having no "corporate estates" as a foundation. Lebovics (1969), p. 17.
68. *Siècle*, pp. 27–33. Four years after World War II, W. Arthur Lewis took a radically different view of the reason for the decline in international trade in manufactured goods between the world wars. It was due, "not as is alleged, to the industrialization of new countries, but to the decelerated demand for primary commodities [because their production outstripped demand], and to the resultant movement in the terms of trade. World trade in manufactures would have been larger . . . if there had been more industrialization and a less rapid growth of primary production." Lewis, *Economic Survey* (1949), p. 197.
69. M. Manoilescu, *Siècle*, pp. 45, 56. He omitted the inconvenient fact, cited in successive versions of *Théorie*, that industrialized nations were each other's best customers. To export agricultural goods of low productivity was now "anticorporative" (*Siècle*, p. 368).
70. *Ibid.*, pp. 30, 35.
71. *Ibid.*, p. 40.
72. *Ibid.*, pp. 45–46. "Organization" presumably meant, or at least included, entrepreneurship, a factor along with land, labor, and capital. In the same year (1934) that Berle and Means made the point with much greater elaboration (*The Modern Corporation and Private Property*), Manoilescu wrote that in large enterprises, the administrator played a more important role than the owner. *Siècle*, p. 56. His emphasis on organization in the production process is ironic because it implicitly conflicts with his exclusive concern with labor in defining productivity, at least for comparative purposes. Firmin Oulès explicitly criticized Manoilescu as an economist for ignoring "organization" (entrepreneurship) and capital in defining productivity. See Oulès (1936), p. 478.
73. *Siècle*, pp. 68, 311, 367, 373. But "rationalization," meaning principally the formation of monopoly combines, still figured heavily in "organization" (p. 296), which fact seems to conflict with the emphasis on curbing profits. In 1930 Manoilescu had defended the organization of cartels as a form of rationalization of business enterprise, in part, he asserted, because a cartel could achieve a more efficient division of labor among participating firms. "Cartelurile și raționalizarea" (1930), pp. 46–48.
74. *Siècle*, p. 368. Manoilescu argued four years later that the issue was not a "free" economy versus a planned one. The Rumanian economy was already directed by cartels of industrialists "who exploit the consumer masses." He preferred an economy directed by the state in the general interest. M. Manoilescu, *Ideia* (1938), p. 11.
75. Manoilescu did not concern himself with such matters in an essay in which one would have expected it—his last published work during his lifetime—"Autour de la définition" (1946–47).

76. Lebovics, pp. 122, 125.
77. E.g., Perroux, “Capitalismo e corporativismo: Socialização” (1939). See also Chamberlin, and J. Robinson, *Economics*, both published in 1933.
78. *Siècle*, pp. 100, 107.
79. *Ibid.*, pp. 137–39.
80. *Le parti unique* (1936), published in outline in “Partidul unic” (1936). The author curiously averred that the transformation of Weimar into Nazi Germany showed that the one-party regime could arise with a minimum violation of judicial norms. In Rumania such a party could be instituted through constitutional reform, he wrote. See “Partidul unic,” esp. pp. 319, 322. Manoilescu may have been appealing to King Carol to establish a one-party dictatorship; and in fact the dictatorship came two years later, but without Manoilescu’s aid and without a real party. Ultimately, his defense of the single party became a fulsome apology for the Axis powers: “In Fascism and Naziism, nationalism emerged free from liberalism and the bourgeois spirit for the first time in history.” M. Manoilescu, “Europäische Nationalismus” (1943), p. 20.
81. Tașcă (1937), pp. 6–14, 34–37.
82. M. Manoilescu, “Doctrinile” (1937), p. 27. In this article and in “Lupta” (1938), two replies to Tașcă, Manoilescu repeated many of his arguments and cited his defenders, including Mussolini (“Doctrinile,” p. 68), but offered little that was new.
83. See “Memorii,” pp. 42–43, and as an example, “Până când nu vom avea o elită” (1939).
84. For Schmitter, by 1936 Manoilescu had adopted “Fascistoid and Germanophilic delusions,” but there is no mention of opportunism. Schmitter, “Reflections” (1978), pp. 130–31.

Chapter 7

1. Viner, *International Trade* (1952) [lectures delivered in Rio de Janeiro in 1950], pp. 61–64; Noyola Vázquez, “Evolución” (1956), pp. 278–79 (Manoilescu’s influence on ECLA is implied); Murgescu, “Demisia” (1968), p. 15; Nicolae-Văleanu, “Raúl Prebisch” (1980), p. 29; Schmitter, “Still the Century” (1974), p. 119; and Schmitter, “Reflections” (1978), p. 121.
2. Spanish translations are *Teoría del proteccionismo y del comercio internacional* (1943); *Siglo del corporativismo* (1941); and *Partido único, institución política de los nuevos regímenes* (1938); Portuguese translations are *Theoria do proteccionismo e da permuta internacional* (1931); and *Século do corporativismo* (1938), both published in Brazil. In addition, Manoilescu wrote several popular articles for the *Revista Hispánica de Bucarest*, a dual-language magazine in Rumanian and Spanish, published between 1927 and 1931. In one of these (in Rumanian), he looked forward to expanded trade between Argentina and Rumania; in the same issue, the publication of his *Théorie du protectionnisme* was announced. See *Revista Hispánica de Bucarest*, no. 6 (1929), pp. 4, 13. Eight years later Manoilescu published another piece—this time in Portuguese—about his correspondence with the CIESP. It appeared in another ephemeral journal based in Bucharest and aimed at Latin America. See *Luz: Revista Rumeno-Sul Americana* (1937), 2: 19.
3. See M. Manoilescu, *Lege* (1932), p. 18; and “Memorii” MS. (1946–48), pp. 349, 617.
4. M. Manoilescu, “Memorii,” p. 617.