

The Romanian Economy in the Second Half of the XIXth Century

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Abstract: At the beginning of the twentieth century, the Romanian society was facing a unprecedented challenge in its history. The main problem was the effort for modernization, due to the large costs which were threatening to radically transform the political, social and workforce between land owners and those who worked the land. The Agrarian reform of 1864 only partially fulfilled the expectations of all the involved parties, therefore the solving of this problem was major given that the agriculture area preserved itself as the main economic branch.

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At the mid of the XIXth century, after the disintegration of the Ottoman trade monopoly (Peace of Adrianople, 1829), the Romanian Principalities managed to register a significant progress in terms of production and exchange relations. In a short period of time (1829-1848), the Romanian Principalities were connected to the European economic system, the trade quota reaching higher values if compared to the ones from the previous period. The Romanian Revolution (1848) paved the way for social and political upheaval generated by the increasing trade volume and Principalities' strong connection with the major European countries. In the first half of the nineteenth century, Transylvania was still one of the most disadvantaged provinces of the Habsburg Empire. Thus, compared to the other Romanian states, it represented itself better regarding on the number of commercial enterprises and development of new industrial sectors (construction, metallurgy, wood processing industry, textile, paper, leather, etc.). (Muresan & Muresan, 2003, pp. 70-84)

The Transylvanian trade orientation in terms of volume was still excessive compared to Moldavia and the Romanian Country, and regarding the exchanges with the other provinces of the empire, Transylvania registered major capital losses

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due to a lower economic level. This situation continued roughly in the second half of the XIX century spreading across Transylvania, Banat and Bucovina once with the emergence of financial self-help aid companies which focused on domestic capital and enabled massive investments within the industry field. An important reference point of the economic development was the railway number of kilometers which in the early twentieth century exceeded the one of the old kingdom. The development of the banking system enabled also the emergence of modern exchange relations within the territories under Austrian domination helping among other things to the Romanians' representation in these areas and supporting the social and national ideals. (Constantinescu, 2000, pp. 35-90)

In Moldavia, between Prut and Dniester, a particular situation was to be found because, in the early years of Czarist domination (since 1912), since there were not registered any major changes in the organization of the province, but right after the revolution from 1848, the forced Russian process would prevent the national development of the province, the main efforts being channeled towards the preservation of the national identity. With few exceptions, agriculture remained the main economic branch and consequently, there could be noticed a poor development of social and economic relations as the Czarist Russia would further continue to be a conservative and rather feudal state.

1) Economic and social projects set forth in the Romanian Revolution of 1848

The burst of the Romanian revolution in 1848 was a moment of utmost importance in terms of national identity and expression of social and political grievance, demand) favored by the general economic growth. The European Revolution from 1848 "was the occasion and cause of the burst of Romanian revolution" (Nicolae Balcescu). In Western Europe, the social class ruling the revolution was the bourgeoisie whodue to her number, role and economic strength wanted to obtain political positions nationally speaking and in order to acquire success in the fight against old nobility, suggested the adoption of radical economic, social and political programs aiming by these measures to gain over other social groups, especially the industrial workers. Consequently, the revolution's objectives from the West European continent (in the economically developed states) were more social and economic, and were considering the adoption of measures for the liberalization of social relations and the development of the economic situation. Unlike Western Europe, in Central and South-Eastern Europe, there was an entirely different context characterized by the fact that people in this geographical area were under foreign domination, and consequently, their economic development was poorer than on the West side of the continent. Agriculture was still organized according to feudal criteria and continued to represent the main economic branch generating profit while in the West its place was replaced with the one of the industry.

The immobilization of the social economic land relation along side with the number of those engaged in commercial activities (the bourgeoisie's one) was utterly inferior if compared to the West side of the continent and consequently, the old economy of the bourgeoisie was rather modest: the main economic role belonged to the large landowners (boyars and nobility). From a social perspective, a clear distinction was to be made, namely the unequal economic development between the West characterized by a numerous proletariat and the Central and Eastern side of the continent, where its number and strength had little significance, the peasantry remaining the main social category. While in the West, the bourgeoisie was leading and organizing the revolution proposing radical social and economic measures, at east of Elba, the revolution was held by the boyars and nobles, and it had a more moderate revolutionary program with political and national objectives aiming to achieve either national unity, either independence, or both. The Romanian Principalities made no exception to this general framework, and consequently the main measures and revolutionary programs had a moderate character, whereas the role of the bourgeoisie class was held primarily by representatives of liberal boyars who, schooled in the West, had come home to put into practice of new ideas and reforms. However, they had to face the opposition of boyars who did not like the sharp changes in the social landscape which might have threatened their position. Therefore, two camps were already established:

- the reformer one (represented by liberal boyars);
- conservative.

The main programmatic documents of the Revolution were:

1. The Petition of Proclamation: March 15, 1848, Iasi;
2. The National Petition Blaj, May Transylvania;
3. The Proclamation from Islaz, June, Romanian Country;
4. The Desires of the National Party from Moldavia, Brasov, August 1848.

All these documents had rather a national character revolutionary and less social or economic because they were written by the representatives of the nobility and these ones were not prepared for making social changes and reforms. Consequently, the support provided to revolution by the main social class (the peasantry) was minimal because it offered nothing to them in exchange. Specifications for imposing social reforms such as the one of Moldavian revolutionaries "... urgent improvement of the villagers' state ..." did not express anything other than a society's awareness and not that of measures to be adopted. This situation was found in Romanian Country where the revolutionary government led it for 2 months willing to put into practice only sharp decisions aiming to defend the revolution from the foreign intervention. However, the popular support of the urban population proved to have been organized, alongside with the two coup d'état attempts, by the Conservative party. The failure of the Romanian revolution (and that of European one) had as main cause the intervention of foreign military

army on the Romanian territories (the Tsarist, Ottoman and Habsburg one). Yet, though the organic regulations were being restored through the work of revolutionaries of the 1848, most of them sent into exile, a positive propaganda would be made abroad with respect to the political ideals (national) of Moldavia and the Romanian Country. (Ciachir, 1999, pp. 120-148)

2. The Economic and social development during the reign of Alexandru Ioan Cuza

The failure of the Romanian revolution from 1848 did not represent the abandoning of national and independence ideals which would be happily fulfilled after the Crimean War (1853-1856). During the Paris Peace Conference, there was discussed the Principalities situation, the consulting of the people's will through ad hoc meetings and the dispute between the Unionist Party and the one opposing to the Principalities unification was analyzed in 1859 on the occasion of the double election of Al. Ioan Cuza, in Iasi and Bucharest, as prince of Moldavia and Wallachia. This way, there could be found a mean which reconciled, momentarily, the union followers and those who opposed it inside the country and abroad. Al Ioan Cuza's reign began with a set of reforms, social, political and economic meant to achieve the unification of administration, legislation and economic development of the two principalities. Economically and organizationally, the main measures adopted by Cuza and his close ones, would focus on redistributing the national wealth through two secularization laws, namely 'The Law of the secularization of Monastery estates through which 11% of the arable land of the principalities (and related income) was reintegrated in the national circuit and 'The Agrarian Reform' according to which, nearly half a million of peasants, divided into 3 categories, were granted with land through. New allotment plots could not sell their land for 15 years and were forced to pay a financial contribution to the state. (Axenciuc, 1997, pp. 87-150)

With the income from compensation, former owners could either make major investments in agriculture or in industry, because the areas of arable land which totaled 500 ha were exempted, without rivers, orchards, vineyards, ponds, and pastures being calculated and the 500 ha of arable land were considered per family member. Socially and economically, the measure was welcomed on medium and long term, but on short term, it was catastrophic because in 1864 and 1865 agricultural production had been much lower than the previous level.

Al Ioan Cuza's reign was important because, through his economic and social reforms, he made the return to the previous situation impossible, and Romania joined on the road of modernization of social, economic and political relations. Romania is now a modern state, capable of taking advantage of the international character and to gain its independence in 1877. By the outbreak of World War I,

Romania's economic development and political stability would be the success of the modernization of Romanian society. The 1859-1866 economic development of Romania was marked by profound changes due to both demographic factors and especially the United Principalities opening to the West. Through the ports on the Danube, especially Galati, large quantities of grain, timber, oil, wine, salt and other manufactured goods were exported, whereas from France and England, machines, tools, textiles, luxury products, etc, were imported. The Porto-Franco status that both Galati and Braila had already been in 1837, fostered the economic development of the areas adjacent to the two ports, so that both Braila and especially Galati, registered unprecedented urban economic development. At the end of Cuza's reign, the Romanian state had firmly stepped towards social and political modernization. With his abdication from the throne and the arrival of Prince Charles I of Hohenzollern as Prince of the Principalities in May 1866, a period of true progress and economic and legislative stability would be established, modern Romania thus offering the legal imperative to develop along the lines already drawn by Western Europe until 1914. Both before and after gaining the independence in 1878, the main landmarks of Romanian economic development were mining industry, oil processing and banking. Revenues generated into the state budget would give the possibility to make major investments in transport, a field which was deficient in Romania. (Constantinescu, 2000, pp. 145-177)

3. Economic and political doctrines in the Romanian Space

Although significant steps had been made to increase the living standards of the rural population, a feature of Romania's economic development remains the ability of rural population to purchase at minimum standards, which implies limited possibilities of expansion of the industry. However, at the end of the XIX century and early twentieth century, during 5 decades of economic, social and political upheaval, modern Romania completed the transition from feudal economy to market economy, from the agricultural consent system to the two major land reforms in 1864 and later in 1921. The Great Unification of 1918 would address the fundamental principles of social, political and economic democracy in the constitution of 1923. In terms of doctrine, political parties disputed the monopoly over the steps to follow regarding the economic development of Romania, both the Liberal and the Conservative parties proposing solutions for economic development according to the interest groups they promoted when they were governing. The Liberals, for instance, were adepts to the development of manufacturers' industry and industrialization of the national economy through domestic capital ("by ourselves") while conservatives brought the solution of agriculture and related industries in steps (small steps policy). In the second half of the nineteenth century, Romanian economy was involved in the European economic circuit, as agriculture was the main economic branch of the country and,

on these grounds Romanian economy was absolutely complementary to that of Western countries. Economic growth was based not only on more powerful trade with Western Europe, but also on other factors contributing to the growth of the state's and contributors' revenues, such as:

- gaining of independence in 1878;
- demographic growth;
- accelerated development of urban areas; around Bucharest and Iasi other cities appear: Galati, Ploiesti, Braila, Pascani, Craiova;
- period of relative stability (peace);
- the existence of a uniform, legislative, national framework;
- the encouragement of the emergence and development of new industries such as: mining and quarrying, oil processing, banking, cellulose and paper, glass, cement, food, clothing, vehicle construction and both road and especially fluvial and maritime transport. (Constanta).

Factors that hinder development economic:

- lack of consistency in promoting protectionist policies;
- concluding defective trade and customs agreements for the national economy with Austria and Hungary;
- lack of social policies to help small landowners in rural areas (peasants);
- poor infrastructure.

From a financial perspective, after 1878, Romania was forced to seek foreign loans to compensate for the shortfall of domestic credit so that foreign capital made its appearance in the form of Marmorosh Bank, Albina Romanian Bank. Capital accumulation caused by protectionist measures (soil and subsoil richness law) led to massive investments in industry and agriculture, contributing, on the one hand, to the increase of the number of workshops, factories, machinery, tools and, on the other hand, to the raise of employed people in agriculture (agricultural workers). Although agriculture was not the most powerful economic sector, it was the population's main source of income, thanks to its potential and investments made in 1900, about 70% of the population contributing to exports. (Muresan & Muresan, 2003, pp. 200-235)

4. Romania at the turn of the nineteenth and twentieth century; economics, society and culture

Social, political and economic relations were obvious, thus the authorities, especially the Liberal and Conservative political parties publicly affirmed their desire to favorably solve this aspect of the agrarian problem, constituted of a more equitable redistribution of agricultural and electoral land. Frequent social unrest

from the late nineteenth century had already prefigured the great peasant uprising broke out in 1907 amid deepening disputes between peasants and landowners. In principle, it is about the over 1 million ha of agricultural land owned by the estate owners, over 1000 ha of vast property, intended for expropriation. Also, the problem of changing the electoral law and granting universal suffrage would be called into question, reform without which the realization of contemporary Romania would have remained a mere project. (the share of agriculture in creating the social product, national income, population employment highlights the economic importance of agriculture).

The social structure fully reflected reality, in 1913 over 81% of the population still living in rural areas. Between 1901 and 1914 the growth of the social product of Romania was on average 7.5% and 5.6% the national income. The growth rate of industrialization of the national economy would allow, on the one hand, to emphasizing the share of industry in achieving social income from 20% in 1901-1902 to 25% in 1912-1913 and on the other hand, it would help to lower national income from social product from 65% in 1901-1902 to 55.7% in 1912-1913 as a result of expenditures necessary for the introduction of machines, tools and machinery in the production process. With all the efforts to modernize the economy, the industry failed to meet domestic requirements, low processing of products and raw materials contributed to reducing efficiency by 2-3 times less in comparison with industrialized states. (Axenciuc, 1997, pp. 201-235) Efforts made towards protecting national industry - see customs war with Austria-Hungary, Costinescu 1904 customs tax, providing local entrepreneur with facilities, etc. – would permanently face the need to attract fiscal resources to the state budget and therefore contribute to the contraction of both external and internal loans, public debt rapidly increasing. The small proportion in concentrating industrial capital was highlighted by the size of companies, most of them nothing more but workshops with a small number of employees.

A inquiry done in 1913 by the authorities identified 379 of the 629 companies with more than 100 workers. A serious obstacle in the development of the Romanian society, the raising of living standards was certainly represented by a lack of unity of the Romanian provinces, most of the territory and of the Romanian population living under foreign domination in historical Romanian lands such as Bessarabia, Crisana, Maramures, Transylvania. To fulfill these historical ideals, Romania had to take historic decisions and opportunities would arise soon with the First World War.

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