

ECONOMIC RETROSPECTIVES. ROMANIA: 1945-1948

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Abstract: *The history of communism in Romania represents, even 35 years after the Revolution of December 1989, a challenging topic to be addressed, fact due both to the controversial developments recorded, but also to the predominantly negative image associated with the period. The 45 years of communism left an overwhelming mark on Romanian society, dramatically shaping its evolution, including from the economic point of view. From capitalist, market economy, Romania switched to a totally different economic system, the administration of its resources, the production process, the consumption, in fact all economic domains being subordinated to other requirements than until that moment. The role of the private initiative, of institutions and of the state was also submitted to reformation. In this respect, between 1945-1989 our country experienced the system of the centralized economy, its development taking place in 3 distinct stages: 1945-1948, 1948-1965, 1965-1989. The present study proposes an analysis of the economic changes produced once with the end of the Second World War. We will focus our attention on a complex and distinct development stage, the one between 1945-1948, a key period for the set-up of the infrastructure specific to the newly created economic system, respectively of the framework required for the subsequent implementation of socialist-type economic transformations.*

Keywords: *agrarian reform, industrialization, planned economy, centralization*

JEL classification: *Q15*

1. Introduction

The end of the Second World War and the resettlement of the political interests' spheres meant for Romania a deviation from its natural development trajectory, embraced and maintained since the 19th century. Due to the opening towards the West produced at that time, the Romanian Principalities began to progress, to industrialize, to establish modern, capitalist economic relations. However, this trend ended once with the entry of our country under the Soviet influence, a fact that drove the transition from democracy to totalitarianism, from an economy based both on private and state initiative to a centralized, state-controlled economy.

The effects of the war were multiple and difficult to overcome. Agriculture was characterized by the steep decline in production, reflected as well in the shortage of food products on the market. On the other hand, industry and transports were also deficient. The oil production in 1944 (3,5 million tons) amounted at only 53 % of the production recorded in 1938 (6.6 million tons), the oil refining capacity been lowered by over 80 %. At its turn, the metallurgical industry was confronted with a series of challenges, the main steel mills operating in 1944 at less than half of their capacity, a problematic situation being also registered in the case of the textile and food industry, faced with the lack of raw materials and destruction (Keith Hitchins, 2004). The process of economic recovery was all the more hindered because of the Soviet presence on the Romanian territories and the payment of reparations, facts that practically deprived our country of all those resources necessary for its post-war redressing.

A more detailed and accurate sum up of the war economic aftermaths are presented in the following table, the statistical data illustrating the significant regress of all the agricultural and industrial sectors. Comparing to 1938, the wheat production amounted in 1945 at only 28 %, that one of corn at 27 %, of barley at 53 % and of oat at 68 %. The animal production confirmed the negative trend, the livestock standing at 47 % (horses), 70 % (bovines), 37 % (swine) and 55 % (sheep). As regards the

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petroleum production, one can observe a drop of 30 %, meanwhile the steel production being estimated at 48 %, comparing to the previous period. Conformingly to the data, the textile and the food industry were less affected.

Table 1. Agricultural and industrial production (1938/1945)

Production	1938	1945
Wheat (million tons)	3,755	1,066
Corn (million tons)	4,092	1,099
Barley (million tons)	0,502	0,267
Oat (million tons)	0,404	0,258
Rye (million tons)	0,206	0,044
Horses (heads)	1,593	0,752
Bovine (heads)	3,652	2,551
Swine (heads)	2,761	1,016
Sheep (heads)	10,451	5,790
Poultry (heads)	27,234	11,904
Petroleum (million tons)	6,594	4,640
Steel (million tons)	0,284	0,136
Cement (million tons)	0,510	0,294
Bricks (million tons)	1,208	0,129
Cotton textiles (thousand tons)	21,096	4,500
Wool textiles (thousand tons)	5,484	3,055
Oil (thousand tons)	17,800	2,344
Sugar (thousand tons)	95,100	25,205

Source: Alexandrescu, I. (1986), *The Romanian Economy in the First Post-War Years (1945-1947)*.

2. Economic coordinates

2.1. The Agrarian Reform of 1945.

The Sovietization of the Romanian economy occurred gradually, a crucial moment in this direction being represented by the establishment, on March 6, 1945, of the government led by Petru Groza. Following the negotiations between the representatives of the Romanian communists and those of the Soviet Union Communist Party, Romania undertook the adoption of the Moscow Plan, whose economic provisions included: the agrarian reform, the confiscation of large estates, the liquidation of the Romanian banks, the abolition of peasant farms and the collectivization of agriculture, the cancellation of the economic relations with the capitalist states (Oprea, I. M., 1997).

On March 20, 1945, the Decree-Law no. 187 was introduced. The goal of this normative act legislating a new agrarian reform was the appropriation of peasants and the creation of state reserves, by abolishing all land properties over 50 ha. The priority was granted to the mobilized soldiers, to all those who had fought against The Nazi Germany, to the landless peasants, the agricultural workers and to those peasants possessing less than 5 ha (The Official Monitor, Part I, March 23, 1945).

Based on the law stipulations, a number of 1,468,000 ha were expropriated, 918,000 peasants being appropriated. Of these, 400,000 constituted newly created households, another 518,000 peasants having their land increased to 5 ha. About 360,000 ha of the expropriated lands were nationalized, constituting state reserves. From these lands, to which were later added the confiscated lands that had belonged to the Royal Domains (1948) and the remaining 50 ha from the landowners' properties, the land fund of the state agricultural farms was constituted.

The Agrarian Reform also extended to the other means of production (agricultural machines, animals), with 3,130 tractors, 1,274 tractor plows, 1,996 grain harrows and 4,321 seed drills entering the state's heritage (Murgescu, Costin, 1956).

The agrarian reform of 1945 created the premises of the state sector in agriculture, by organizing, along with the nationalized area, of 271 state machine and tool centres. The received land was exempted from any debts and obligations. The price set was a symbolic one, representing an average harvest per

ha, staggered in instalments, over an interval of 10 to 20 years. As regards the payments, they were made to the state, not to the rightful owners. Moreover, in December 1950 the cancellation of appropriation rates was decided.

Tabel 2. Agricultural exploitations in Romania, 1948 (by size and number).

Size	Number	Representation (%)
under 0,5 ha	901016	16,4
0,5-1 ha	1100852	20,0
1-2 ha	1473785	26,8
2-3 ha	838286	15,2
3-5 ha	697318	12,7
5-10 ha	363678	6,6
10-20 ha	88335	1,6
20-50 ha	22698	0,4
over 50 ha	15170	0,3
Total	5501138	100

Source: Golopenția O. (1948), *The Popular Republic of Romania Agricultural Survey*.

As one can observe, the agricultural fragmentation was maintained, the majority of the exploitations (91,1 %) encompassing less than 5 ha, a high representation characterising the households under 1 ha (36,4 %). Despite the existence of the machine and tool centres, the peasant were still deprived of means of production, the introduction of quotas hardening the difficulties from this sector.

2.2. Measures of reinforcement of the state control over the Romanian economy.

The 1945-1948 period was also defined by other concerted efforts in order to expand the state control over the economy. New structures were created, laws and decrees were issued leading towards the economic centralization. On March 23, 1945, the Interministerial Economic Council was instituted, the main role of this structure consisting in the establishment of norms regarding the distribution of credits and raw materials to enterprises.

The organization of the County Economic Offices followed. Directly subordinated to the State Undersecretariat of Supply, the offices had functions in the registering and control of production. Other decree-laws were promulgated regarding the regulation of salaries, of the price regime and the circulation of goods, for the suppression of illegal speculation and of the economic sabotage.

In July 1945, the first Romanian-Soviet joint enterprises (the SovRoms) were inaugurated. Their establishment was the subject of an economic treaty initialled on May 8, 1945 in Moscow. Apparently, the SovRoms, based on the parity principle, represented a partnership, meant to ensure mutually beneficial economic relations. However, in reality, the SovRoms constituted an instrument through which the Soviet Union extended its monopoly over the Romania's resources, production and foreign trade. The management was reserved for the Soviets, the SovRoms being tax-exempt and benefiting from a series of other advantages. The discriminatory treatment to which the companies with foreign capital were subjected resulted in the breaking in 1847 of the relations with the West and the isolation of Romania from its traditional economic partners (Hitchins, Keith, 2004).

The National Conference of the R.C.P. from October 1945 set-up the directions of economic reconstruction, development, and consolidation of the popular power in Romania. At the centre of concerns was placed the industry, the primary role being attributed to heavy industry and electrification. Regarding the agricultural sector, it was subordinated to the development of industry, the main function of agriculture being to supply food and raw materials to the expanding industrial centres. Other proposals regarding the completion of the agrarian reform referred to the establishment of rental centres for agricultural equipment, the expansion of rural credit, the intention of collectivization being kept under wraps for the time being. According to Gheorghe Gheorghiu-Dej, the state had the role of organization and management of the economy, a fact assumed and set out in the economic policy of all subsequent governments (Păun, Nicolae, 2009).

A new step towards centralization was achieved in November 1945, once with the creation of the Superior Council of the National Economy, functioning under the Presidency of the Council of Ministers and playing the role of coordinating the economic departments' activity.

In April 1946, the Ministry of Industry and Commerce received authorization to set the price of products and goods in stock. A year later, a new law was introduced regarding the organization of the Ministry of Industry and Commerce. The Ministry of National Economy, the Undersecretariat of Supply, the Commissariat of Prices, the Commissariat for Foreign Trade, the Undersecretariat of State Industry were all merged into a single ministry. The new created Ministry of Industry and Commerce had attributions related to production and distribution, procurement of industrial and agricultural products, regulation of the circulation of raw materials, semi-finished products, fuel and industrial and commercial investments. In effect, the position of the state was being strengthened, the ministry becoming the main structure responsible for the recovery and development of the national economy. The same interest in the reinforcement of the state control was foreseen in the political platform of the Democratic Parties' Bloc, winner of the controversial elections from November 1946.

December 1946 coincided with the promulgation of the decree law regarding the nationalization of the National Bank of Romania. An additional law came to complement this normative act, implementing the credit reform. From now on, credits were conceded only for productive purposes, severe measures being set out in case of any improper use. Banks no longer had the right to grant loans to enterprises that had accumulated large stocks of raw materials, fuel, the granting being conditioned by the fulfilling and exceeding of production and distribution tasks.

Not only that the state influence consolidated, but it also increased, migrating towards the private economy. In May 1947, the Deputies Assembly voted the law of industrial offices, for the purpose of guidance, supervision and control of economic activity, both in the state and in the private sector. The activity of the industrial enterprises, grouped by branches, was carried out on the basis of the recommendations of the industrial offices, which elaborated the production plans, distributed the quotas of raw materials, fixed the percentage of benefits, the regime of distribution and circulation of products, the level of salaries. Until December 1, 1947 14 industrial offices were established, which grouped 730 enterprises, representing about 80 % of the industrial production capacity (the office of wool, cotton, leather, non-ferrous metals, iron, vegetable oils, chemical products). Between December 1947 and June 1948 other 9 offices were founded in metallurgy, processing industry, wood industry, etc. (Constantinescu, N. N., 2014).

Along with the centralizing tendencies, the state also took the first steps towards a planned economy. More precisely, between July and December 1947, a decision was taken to introduce production programs in all large industrial enterprises. At the beginning, the production programs were drawn up monthly, then the planification extended to a duration of 3, then of 6 months. Representatives of the Superior Council of the National Economy, of the industrial offices, of the General Confederation of Labour, delegates of the Ministry of Industry and Trade took part in the programs' preparation. Ratified by ministerial decisions, these programs were provided with the character of law.

3. Conclusions

The first post-war years were marked by multiple economic constraints, the damages and the disorganization caused by the military confrontations unfortunately overlapping the political transformations that occurred. With the installation of communism and the increase of the Soviet influence, Romanian society was diverted from its traditional development, the adoption of the Stalinist model marking the beginnings of the sovietization of the national economy.

The communists paid undue attention to agriculture, the Agrarian Reform from 1945 causing the elimination of properties over 50 ha, in parallel with the establishment of the first state farms and machinery and equipment centers. In fact, the reform pursued the creation of the state sector in

agriculture, veiling the intention of collectivization of agriculture, which will not be delayed to be introduced.

As far as industry was concerned, the communists considered it of vital importance. Through the prism of this prioritization, a wide series of laws and measures were introduced through which the state ensured its quasi total control over this fundamental sector.

All of the above demonstrate the essential significance that the period 1945-1948 had from the economic point of view, the reorganization to which the economy was subjected, practically preparing the transition to a new stage of the economic evolution, defined by nationalization, collectivization and economic planning.

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