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**SPECIAL ISSUE ON**  
**XVI<sup>th</sup> WORLD ECONOMIC HISTORY CONGRES**  
**JULY 2012 - STELLENBOSCH – SOUTH AFRICA**

**SESSION:**  
**INDUSTRIALIZATION: MYTH AND REALITY IN THE EASTERN**  
**EUROPE SPACE (1920-2010)**

**SESSION ORGANISER:**  
Dan POPESCU<sup>1</sup>, Professor Ph.D.H.C.

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***Session/Poster Abstract***

*The end of 1944 brought, among other things, a change in the economic trajectory of Eastern Europe states. Their economic system began to be assembling after the image of their eastern neighbor. In this case, the ever more drastic limitation of employers' initiative and nationalizations in almost all areas, the almost exclusive place held by state ownership in the economy, the forced cooperativisation of agriculture and the elimination of land private ownership, the nationalization of banks, the fundamental involvement of the political factor, of the party leadership in development, the excessive central planning and a certain isolation in the world. An important place was held, especially after 1948, by the adoption of the USSR industrialization model. Besides those shown above, we are talking about the preferential development of production means and a certain neglect for consumer goods production, the transmutation of a large rural population which founded this type of largely extensive industrialization, the artificial involvement of productive consumption relative to consumption itself, etc..*

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*What was the genesis of this model? What led to the implementation of this model in industry, economy, and social life - for the ex-Soviet space but mainly for eastern European states - and not just for them, replicas of this model being perceptible even for countries in Asia, Africa or Latin America?*

*What changes were brought to this model, especially in those states - including Romania - where socialism in the "Soviet way" was replaced after 1962 - 1964 by the "national way"?*

*What were the effects of such mutations in achieving integration in the "Eastern manner", for development, according to some original guidelines, based, some of them, particularly on economic independence and completeness? In such circumstances, to what extent and how have the Eastern European economies been prepared to join the new configuration of Europe and of the world after 1989 - 1990, with a view to durable and sustainable development? These are some questions whose answers have reverberations for the world's economic present and future. They are central to the area of concerns in Europe but also in Asia, Africa, and the Americas.*

*In additions to our submission, we'll send here some professional references for Prof Ph.DDHC Dan Popescu and for the Lucian Blaga University of Sibiu: Coordinator: Prof. Ph.DD.H.C. Dan Popescu (some data): dan.popescu@ulbsibiu.ro - Professor at Lucian Blaga University in Sibiu. PhD in "Economics", Director of the Center for Economic Research of the University and professor at University of Bucharest. Visiting professor of the University of Rennes 1, France, IUT, GEA (1996 - 2010). "Doctor Honoris Causa" of the University of Rennes 1, France (2009) - Visiting professor, of the University of Gabrielle D'Annunzio ", Pescara, Italy (2002 - 2006) - Visiting professor at University High School of Economics in Prague (1995-1996), the Regional College in Tralee, Ireland (1998), etc. - Professor and PhD supervisor course at the Academy of Economic Studies of Moldova, Kishinev (1996 - present). "Doctor Honoris Causa" of the Academy of Economic Studies of Moldova, Kishinev (2004) - Participating in the communication published in Economic History Congress in Milan (1994), Madrid (1998). Communication Coordinator and economic section presented at the International Congresses of Economic History in Buenos Aires (2002), Helsinki (2006), trecht (2009). - Numerous works published in over 20 countries, mostly in Europe, USA, South America (Argentina), Asia (India), etc. - Commission representative, for section of economic history and history of economic thought of the Romanian Academy for IEHA.*

*Lucian Blaga University of Sibiu is one of the most important universities of Romania (about 27,000 students), with a strong Faculty of Economic Sciences that provide important economic history and, in general, quality scientific research activity. Were held here until now (1995), 15 International Economic Conference, with a broad European, and Asian American but including four pre-conferences under the World Congress of Economic History.*

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**OTHERS SESSION PRESENTERS:**

- **POPESCU Dan Alexandru**<sup>1</sup> - *Romania, after five years of European Integration. Current strategies and possible directions of sustainable development*
- **D'ESPOSITO Francesco**<sup>2</sup>- *Italian Investments in Eastern Europe after the fall of Communist Regimes. The Case of Abruzzo,*
- **DAS Kumar**<sup>3</sup>
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## **INDUSTRIALIZATION: AN ITINERARY RUINED BY EXTRA-ECONOMIC FACTORS. CASE STUDY: THE ROMANIAN ECONOMY**

**POPESCU Dan**

*Professor PhDHC, Lucian Blaga University of Sibiu*

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### **Abstract**

*How did the evolution of Romanian industry develop in the years after 1944 and until 1989? How about afterwards, during the transition from a socialist economy of Eastern European type to a generically defined market economy, when it failed to achieve socially desirable results, namely during the period 1990-2010? What was the actual content of the process, what was intended and what was actually achieved? In 20 years, how did the extra-economic factors influence - especially the political and social ones - a process, namely the industrialization, which had proved an undoubtedly positive experience around the world?*

*These are the questions this paper aims to answer by examining the effects throughout this timeframe and the perspectives on short, medium and long term.*

**Keywords:** *Industry, motivations, population, food, national wealth, durable, sustainable.*

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*"There are two things which we must learn from experience: first, we must correct a lot, second, we must not correct too much" (Delacroix)*

From the Scotsman Adam Smith to the French noble Saint Simon, from Francois Quesnay the doctor (except the promotion of sterility of the industry concerning plus product) to the Austrian Carl Menger, from the British J.M. Keynes, to the Romanian Mihai Manoilescu, from the American Milton Friedman to the Japanese Saburo Okita – industrial development, and in particular, the development of a nation's industry, of an economic community,

from a global perspective – was and is revealed as a fundamental factor of great progress, both economically, as well as socially and culturally. (Popescu, 1999). From the industrial revolutions until present day, and also in the future, industrialization was imposed by the markets, by consumption, by people, with their needs and expectations, by patrons and managers with their hopes of profit, by consumed experiences, by a present with perspectives as well as perspectives which can become a promising present. Not only peace imposed industrialization, but war too, not just certainties, but also uncertainties, not just normal situations, but catastrophic ones. Many times, industrial development or industrialization – a continuous and intensive development – was and will be synonymous with the development and evolution of civilization. Not just the secondary sector follows this trend, but also the tertiary and quaternary sector, durability and sustainability. An industrial world means an informative world, a globalized one, the "one world or nothing" kind of world, to which the great Albert Einstein made reference. Most times, when we speak of industrialization, "poverty goes out the door". Several small corners remain, but most times this is how it happens. The brilliant "European Dorsal Axis" and the rich America, the emerging Chinese as compared with most of Africa and part of Asia reveal not only cultural differences, but differences in labour, turnover, industrialization. (Popescu, 2010)

There are, unfortunately, extra-economic factors, guilty interests which have deteriorated, often sensibly, such trajectories, distorting senses, crushing equilibrium, generating turmoil and sadness. Tens and tens of millions of papers are being written – studies, books, articles, with this subject...but as how did this complex process unfold within a state of economic turmoil, as interesting, as the Romanian landscape was? The starting point in our examinations is, somewhere in the middle, after the Second World War, making incursions, however, in history, then and now, as well as showing the perspectives which reveal themselves with a nimbus of uncertainty.

1. On August 23<sup>rd</sup>, 1944, Romania left the war against the Soviet Union and joined the Allies in the struggle against Nazi Germany. From Romania's perspective this is not just a political and military act, bound to the bloodiest confrontation the world has ever seen. The geography of the country – a famous researcher of this field, the scientist and member and former president of the Romanian Academy, Simion Mehedinți, mentioned, often, that "the

history of Romania is its geography” – the circumstances of the start and unfolding of the Second World War, the collapse of the traditional alliance system until 1940, the Riebbentrop – Molotov pact, and mostly, the understanding of the 3 major powers – the U.S., Great Britain and the U.S.S.R., concerning the future status of the states which joined the fight and their sphere of influence, will determine, each in its own way, the post-war destiny of Romania, of this Latin, yet Balkan country. ”100%, here, soviet influence”, was the verdict of the heavyweights. In spite of ”insurance” concerning the freedom to act and think, for the people, concerning freedom of choice, by their own will, their political and economic regime”, once the autumn of 1944 settled in and, after that, in Romania there was a process of increased change according to the bigger neighbour to the East.

Through ample political and economic modifications – which did not take place in Romania alone, but in all East European states, in which the Soviet Army contributed to the banishment of Germans – Czechoslovakia, Poland, Bulgaria, Hungary, Albania, Yugoslavia, D.G.R – thus found silence, under ample military and political pressure, of our market economy on the trend of ”socialist development” (a la sovietique). The support pillars were the creation of a unique party, dictatorial not through its members, but by its leadership, low in numbers but powerful, and Soviet bound. The support pillars were the restraint, until extinction, of patronage initiative, the stronger and stronger grip on the control of the economy through the building and functioning of a strict plan, with the power of law, etc. and the development model in industry, agriculture, commerce, transportation, will be the soviet one. (Popescu, 1998, p.86-97)

2. Talking particularly about industry, the ”Lenin industrialization plan” will be followed, based exclusively on the primordial development of producing production means for the production of production means, then producing production means for the production of consumer goods and only in the end, pretty shy, to produce the actual consumer goods. Thus resulted an overdeveloped quantitative industrialization, pretty far from an inconsiderate market, and a constant lacking of goods and goods of inferior quality. The reason for the existence of an underdeveloped Romanian industry, largely defined by the production of raw materials rather than complex goods, the requirement that ”labour men must sustain such a development for their own benefit and not for the benefit of bourgeois capitalists” weighed heavily in

imposing a propaganda and a practical Lenin model for development. Of course, all this was skilfully used against the former governments of the country and against patrons, of people anchored within the concept of private ownership, the serious lacking of the Romanian capitalist system, such as degree of illiteracy, the grey life for most, and social gaps. This was a rotten system which carried the sign of the peripheries, but also of relations imposed by great trusts and corporations, relations in which, more than once, the industry and the economy were losing, not gaining. (Popescu, 1998, p.93) Moreover, in this last sense, the Soviets, by using "Sovroms", practice used until the 1960s, in industries such as petrol, mining, cement, concrete, harvesting, transportation, energy, uranium and others, have literally robbed the country of great wealth, often at ample dimensions, as compared to the previous regime.

Yet all this time revealed a full side of the glass. This fact being decided in circumstances decided by centralized decisions, by the "development dictatorship" in a primary form, by ample crowd mobilization – and not without result – towards the achievement of general targets which were locally important, from promises and the presenting of objectives and hopes revealed as optimistic as possible, although often without a real correspondent. One can still say, without decisive counter arguments, that a general industrialization can be noticed. Of course, citizen resistance to this ordeal does not go unnoticed, in the attempt to modify concepts and mentalities, the atrocious dictatorship in the country, arrests of opponents, not just political ones. Only those who suffered heavy years of communist prison can understand the brutal searches, the arrests without grounds, persecutions generated by "files". (Marinescu, 1996-1997) The prison keepers were in minority? Many of them were not Romanian. Unfortunately, many of their sons are today's "terminators" for our economy, as their parents were to us. We still mention that many lazy, ignorant, fanatic, activists, found themselves in management positions, the so called scourge of the regime. Of course, not all leaders were the same... (Marinescu, 1996-1997)

Considering more elements of number imprecision, we can still state that between 1950 – 1965, in the West the famous "les trentesglorieuses" have begun – fixed funds, in industry, have increased 2,2 times over, and exterior trade, in which the industry had a major saying, almost exclusively with the Soviets, increased 4,8 times. In spite of "leakage" towards the U.S.S.R. through the payment of "war reparations" and through Sovroms, which existed

in all areas of the economy, as a result of the creation and development of several mixed Romanian-Soviet companies, the economy boomed. For example, the "23 August plant", the "Republica" factory or the "Tractorul" factory in Braşov, followed by companies within the light industry – many weaving factories, textile factories, shoe factories, etc. the national welfare somewhat increased. And this was felt by the majority of the population. One must however consider the limits of the "hegemony". The U.S.S.R. and the attempt to "Russify" the country. Of course, the terrible "political terror" ensued, where tens of thousands of people perished in prisons, while, on the other hand, various social targets were presented to the poor, as promise of a new life, under socialism. (Popescu, 1980)

An ample process of alphabetization followed – part of the population of pre-war Romania were illiterates – an ample process of urbanization, of course in medium and low terms of comfort for the inhabitants of future cities. Already functioning in a world of two parallel and opposed systems – the capitalist and the soviet socialist one – it becomes clear that propaganda was decisive. To some extent, it was a "school of economics". Already, gaps between the performance parameters imposed by the West were being felt. The quantities, the market, the efficiency, the profit and industrial and economic structures could not cope with the intrinsic isolation of the country, which was in a "socialist concentration camp" and felt its toxic, brute, primary effects. "National communism", to this extent, and the modification of social and political relations in a regional, European and world scale will change this. (Popescu, 1980)

3. ...The development of the economy and of industry did not only begin when Nicolae Ceauşescu came to power. The process began sooner than that, during the 1960s, through a declaration of the Romanian Communist Party, which revealed that national independence and sovereignty, mutual advantages and not mingling within internal affairs were paramount.

And the close moment of the summer of 1964, when the concept of "socialist integration" through the reunion of different countries, as an advantage of the U.S.S.R. , of Czechoslovakia and of the German Democratic Republic, began to be promoted during academic publications of such countries. Romanian economists severely criticized such an approach towards the economy. This would be no capitalist system concerning private property, rather, integrating the system of private property within a socialist soviet

system, which would be the guiding line for the creation of factories, and plants. Full loyalty was a prerequisite. Here, the state is not so desired by the individual; rather, the individual must behave in such a way that he is desired by the state. Let us also underline the tremendous sympathy which the West offered Romania at the time...

The brochure that is in front of me, under the sign of “Viața Economică”, was not and is not a trifling thing. Why? It contained, on one hand, two critical, editorial studies, as a Romanian response compared to the studies – fashionable theories and for which, in Moscow, but also in Berlin and Prague, efforts were made to translate them alive, concerning the economic relations between socialist countries, ergo socialist integration. The first study to which a response was formulated in the brochure – after “Viața Economică”, no 24, June 1964, was signed by the Soviet professor E.B. Valev, of the Moscow University, an article realized, as mentioned, with the support of the department of economic geography of the countries with social democracy”. Which is not few, to say the least. Other studies criticized in this article were signed by Soviet professors G. Sorokin, G. Karhin, and then N.D. Stolpov and N.F. Ianitki or P.M. Alampiev. In the other material, also editorial, as mentioned, the paper of the Eastern German economy professor Willi Kunz was heavily criticized, concerning “The issues of international economic collaboration between the member states of the Council of Mutual economic aid (CAER”. Finally, on the other hand, the third material of the “Viața Economică” Brochure was the translation, in Romanian, of the article of professor Valev, so that readers could figure out on their own of what the key points were. The two Romanian critical studies – editorial materials, as mentioned – were established by outstanding professors such as Costin Murgescu, N.N. Constantinescu, Ionel Desmireanu, Tudor Postolache, Emilian Dobrescu, Gh. Badrus, Iulian Vacarel, Ivanciu Nicolae-Valeanu and others. It did not matter where your studies were completed; rather to “think Romanian”<sup>1</sup>... this was an obvious command from above. Do we have now, in the years since our economy collapsed, thus influencing and not in a small manner, exogenous factors, answers of this type to the heavy issues which we confront? Not really...but let us return.

This introduction, with the underlining of several coordinates and names, has the role to bring to the spotlight an important event in the evolution of the

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<sup>1</sup> See also „The issues of economic relations between socialist countries”, „Viața Economică” Library, no. 2/1964

Romanian economic science. In a time which would prove – particularly from the perspective of Germany and Czechoslovakia – a particular action from the USSR, with many difficulties to surmount, for the affirmation of the national economy. In fact, we are talking about the 60s and 70s. Which was the context of such a brochure, which made its publication paramount, the critical Romanian attitude, what echoes and effects resulted? What news does it reveal? We will follow answers for each of these aspects.

...during 1963-1964, the process of Western integration made significant progress. If on May 9<sup>th</sup>, 1950, the Frenchman Robert Schuman, which will become External Affairs minister, stated “Europe was not created we had war”, urging for the building of a new economic and political framework to preserve peace and democracy in Europe. If in 1951 the Treaty of Paris will be signed, which created the European Community of Steel and Coal (CECA), thus ensuring the production and common management, between Germany, France, Italy, Belgium, Holland and Luxembourg – of steel and coal, essential prerequisites of the rebuilding after the war and for the economic progress, thus canceling the possibility of war between these nations. If in 1957, the Treaty of Rome will be signed, creating the European Economic Community and the EURATOM, and promoting, among other things, the freedom of circulation for goods, capital and labor, in 1962, the Europe of the “6” will establish the PAC (Common Agricultural Policy), and in 1965, in a predictable manner, the fusion of CECA, CEE and EURATOM will take place, the latter institution with the role of managing and financing the “6 common”, meaning research, production concerning atomic energy. Indestructible bonds between these countries, as well as irreversible bonds were created. These bonds could not be neglected, worldwide. It was clear that benefits for the countries involved were sought after, and Europe was becoming stronger and stronger, economically and politically. A more relaxed world, which cared about the individual and society, with a solid present and higher hopes...

However, that world was divided into two major parallel and opposed political systems. It was divided by two types of customs and attitudes. Two types of politics. Meaning, ample discussions and debates, a full accord in the West, but, unfortunately, a sort of dictatorship and the realization of some obscure personal interests, on the Soviet side, as well as in Czechoslovakia and East Germany, states considered as developed, as far as the East goes.

That meant that the West and East were approaching cooperation differently. In the East, the punishment for “lack of loyalty” was at an all time high...

As a response to the happenings in Western Europe, the USSR and the two developed states mentioned before were pursuing, through CAER, but also through a sui-generis integration, to develop their industries, for themselves, and to associate that with an old-fashioned agricultural policy, designed for socialist states. So ideas for the creation of facility international economic organizations occurred, in the political and economic East, which had a dubious reason and were deliberately confuse, but structures which could – if managed correctly, dismember the national economies. Worse than the worse before, we could say. As Romania already launched, in 1964, an official note which stated the differences of political and economic nature to our neighbor in the East, and in a time in which a certain political relaxation took place – as political inmates became more and more free – it became obvious that our national economy could remain passive in front of a tendency towards a backwards situation, which questioned, at some point, the existence of the state itself. This is why, under the supervision of the leadership, a collective of economic researchers, names of obvious value, have arduously studied the concepts of integration which came from abroad, namely the East-German and Soviet area, and thus formulating concrete responses. In the brochure “Economic Life”, no 2/1964, with a somewhat neutral title, in a prudent fashion with Romania’s diplomatic efforts, namely “The issues of economic relations among communist states”. But which were, in a concrete fashion, the issues and questions raised and criticized, and the formulated answers of the Romanian perspective?

During the 4<sup>th</sup> Congress of the Geographic Society of the USSR, Moscow – 25-30<sup>th</sup> May, 1964, and also, during the symposium, entitled “The geography of socialist states”, several strange, might we say, and points of view were presented, outside of the principles of collaboration of socialist states, principles which, until then, were respected. P.M. Alampiev, was referring to “a profound process of transformation for these countries (socialist countries, author’s note) in an economic whole”, to a series of contradictions which occurred within the “passage towards a future global socialist economy, which is unique and regulated according to a unique plan” and “the borders of sovereign states, thus the limits of national economies, which have a separate national income balance, their own planning, which is independent.” They

pleaded towards the creation of “facility inter-state economic institutions”, economic units which almost fascinated the author and his peers.

J.M. Maergois and A.E. Probst even detail, referring, as an imperative, to the “creation of facility industrial institutions within the border districts of 2-3 countries.” It was, as they mentioned, an “objective process which accentuates more and more due to the presence of a series of raw materials within such districts whose value is of inter-state importance”. What does that mean? Even now, in 2012, not in 1964, and even in another system, as compared to the one in the past, such affirmations are bollocks: what regime would have installed such border districts? To whose benefit would it have worked? Who would have gained from this? To what extent? How solid would these economic constructions truly be? And could such hybrids survive in the context of the development of a historic fashion of the state? And let us not forget that we are in 1964, 19 years after the end of the disastrous war, started by the Nazis, which did not respect national states themselves, with their own universe, their own efforts and objectives, realizations, expectations, people with their own projects and hopes. In the vision of the Romanian economic policy then – which was not wrong in that direction, there were several concepts which had elements which contravened to life itself, to “requirements of development of the national economies of the socialist countries and the principles which found their collaboration”: national independence, non-interference within internal affairs, mutual advantage, etc.

The authors of another paper – N.D. Stolpov and N.F. Ianitki – also speak of the “planning of tight production relations between the future factories which will be built within border areas and the companies of neighboring countries”. In the conditions of a single and centralized economy, even that promoted by the Soviets, the idea of factories which relied upon the production relations with factories from neighboring countries, rather than depending on the factories from their national economies. Thus, Romanian specialists said, “collaboration relations between socialist states are replaced by relations between factories from different states, which are thus alienated from the national context of their country’s economy”. Of course, there was CECO – which managed steel and coal, and EURATOM, there was the CEE, but such collaborations were regulated, founded on rules and regulations, approved by laws of institutions, and by the parliaments of such countries. This was excluded in the case of the USSR and Romania. Was the USSR of 1964 a road opener in terms of socialistic governance at the time? Did Leonid

Brejnev become a great reformer of the socialist system with an ample opening towards the world? Not a chance, the games were already made in a clear Soviet advantage, as for the countries involved, the principle of evolution was “what comes to be, let it be...”

...Professor E.M. Valev of Moscow University goes even deeper in his research. He saw new countries. The conclusion of his study is that: “the analysis of the current situation and the perspectives of economic developments of the Danube districts of Romania, Bulgaria and the Soviet Union demonstrate the existence of prerequisites for the future formation of the inter-state production facility of the lower Danube”. A relevant conclusion, but “which was the basis” for such a conclusion – as Marin Preda says – of professor Valev in his research? Considering the maps published within the brochure, Romania would have contributed with 6 regions to the so called district, and the new limitations of counties within Romania, with villages, cities and towns would take effect since 1968.

Which were the 6 regions? Oltenia, Arges, Bucharest, Ploiesti, Galati and Dobrogea, namely 42 % of the country`s surface and 48 % of its population. Bulgaria was destined to take part with several regions from the north, in a much smaller percentage than Romania, and the USSR with even fewer districts from the USSR. Of the 12 million inhabitants of the district, 9 were from Romania, 2 were from Bulgaria and 600 – 700 thousands were from the USSR. And as a surface, 150 thousand square km of the district consisted of: 100 thousand sq km (2/3 of total surface) from Romania, Bulgaria with roughly 38 thousand sq km, and Russia with 12 thousand sq km. As local resources which would be harvested in the district, we have petrol, natural gas, salt, crops, and hydro energetic resources. Oil, roughly 10 million tons, from Romania alone, from its region, as well as natural gas, salt from us, as well as 72 % of the energy produced by the district. Basically, part of the country would disappear, a new smaller country would appear, Bulgaria would conserve its identity, and Russia would amplify its own...

But why such a structure? Valev tells us: “...parts of the territories of the three regions have their own particular features, different from the rest: similar conditions in terms of geography, topography, climate and soil, agriculture specifics, and thus various industries can develop here.” More than rubbish; how would Europe look as countries if it would be built on such criteria? We cannot even conceive such anomalies. However, they were well placed actions, with a specific purpose. The study of Willi Kunz has the same

orientation. He proposed a unique development plan for the entire CAER – that economic organization of mutual help for all the socialist countries, thus eliminating the national social and economic development plans?!

...Then, the answer of the Romanian professors was as firm as possible: rejection. I do not believe, however, that the situation now, with the European Union, is similar. This is not just about fantasies, it's about malicious intentions. For our current dramatic economic state, no one from the IMF or E.U. is to blame. We adhered to the European Union, we accepted and signed its laws, we were not forced to do so, and we decided this on our own. Concerning the IMF, we requested money from it, not the other way around. So, we are to blame, we are to blame for the way we managed our situation for the past 20 years. We are to blame for the privatization through theft and destruction. We are to blame for the “generalized corruption, which is official and institutionalized”, as Romania's highest political leaders mention. We are to blame for fortunes created in several years, by theft from public funds. Which, of course, are fewer and fewer? But one can also blame an appalling way to negotiate with international organisms, and the list could go on... But let me refer, in a broader sense, to Romania after 1962 – 1963, but particularly after 1965.

4. Many of the ideas and theses thus promoted, on the grounds of a general strategy which began to become very practical, found their birth in the ideas of national patriot economists of the 19<sup>th</sup> century. Be they bourgeoisie with financial potential, and willing to make a name for them, be they socialists under the influence of socialist concepts which roamed Europe around 1830 – 1840. “Romanian industrials” such as Al.D.Xenopol, P.S. Aurelian, MihailKogalniceanu, Laszlo Kovary, but also C. DobrogeanuGherea, the Nădejde brothers, PanaitMușoiu, ȘtefanZeletin. “Today, nations without industry die of starvation, are weakened by those who possess it and make them pay dearly for it”, wrote D.P. Marțian, ideas stated by all of the above. And Manoilescu, promoting national industry with an opening towards the world, bringing the concept of labour productivity into discussion wrote the famous words “tell me not only what you buy, but also with what you pay, so that I tell you if you buy cheap or pricy”. He set national protectionism in another light. (Popescu, 1980) Sticking with the mentioned thinkers, we can reveal theses in a systemic manner - to the possibilities of the development of the national industry, to a concrete, state supported program, to create the application of this concept. The advantages of industrial and agricultural

development were underlined, for the general economic progress, the world and European experience in this field, and the risks which they brought. Such concepts were then taken over by the political factor in supporting the strategy during the 60s, particularly after 1965. But what ideas could be thus revealed?

Behold the thesis of high accumulation, materialized in ample industry investment programs, social, economic, cultural investments, the ones needed to promote several modern branches of the industry, to high parameters of productivity and technology. Environment protection, very "fashionable" at the time, was an issue. Other such endeavours? The thesis to support economic efficiency through labour. The one concerning the continuous recycling and reconversion of the labour force and the creation of required institutions, thus reorganizing Romania. The intensification of Romania's relations with developed states, contracting credits from abroad, and so on. Both the development of Romania was a key element, as well as its opening to the world, on the basis of economic principles through the European Union, and included in the broader perspective.

Within the action of new factors, generated and determined particularly from the mentioned national perspective during 1962 and 1963, several elements revealed themselves to stimulate the progress of Romania's industry. These factors also contributed to the weakening of the Communist regime here. They were: a) political amnesty initiated by the pressure of international institutions, and subsequently continued by national institutions, which created social openings, b) the official requirement of diplomas for studies, in order to occupy top positions within the economy or industry.

Another factor revealed itself, however. On the grounds of Romania's increased relations with the West, the control of "security institutions" intensified. Contracts with foreign companies and their finalization were not only closely monitored, but also stamped by officers of security. There were two types of plans, within the industry: the "deliveries for exports" plans, concerning productive companies, in a direct contact with external customers. These companies were the so called "merchants". In this last area, the mentioned supervision was more than noticeable, it was complete and direct. So external relations concerning industry had such a sign, but resembled market economy. There was increased subjectivity, and the raw material – goods circuit was often sluggish. There was a certain fear of change. When simplification was requested by specialists and researchers, the official refuse was thorough.

5. After the revolution, such monopolies were also used, a situation which created many rich men nowadays. This was an un-economic factor, after 1990, but also the one which guided the changes after December 22<sup>nd</sup> 1989 and gave birth to the hidden economy.

But let us come back. What results did we obtain after 1960 and which was their array? Again, under the sign of some calculus errors, we reveal that although 1965 was considerably better than 1950, during 1965-1980, fixed industrial funds, increased 3,5 times (compared to 2,2 times, mentioned before) and foreign trade, based on industry, increased 7 times (4,8 times in the previous 15 years). National income increased 4 times in the mentioned period, more than 75 % better than the time span during 1951 and 1980. A sensitive, yet noticeable increase in qualification of the labour force was noticed.

On the basis of this industrial power, agriculture, transportation, construction, urbanization increased, bringing us closer to developed states. Not just in a scriptural way, but in the pockets of the population. Technology credits, from the West made their mark, they increased national industry competitiveness. A 5 year plan included a 5% inflation rate – and it was doable. A million jobs were created as a result of economic growth, most of them in industry, but also transportation, commerce, etc. these were years of positive progress concerning the economic and industrial interest.

However, we were facing a centralized economic system, far from market rules, clear regulations, and this slowed it down quickly. In spite of "pink" political documents, the situation was far from being so. As the past and present reveal, lies and corruption play their part, as the megalomaniac ambitions of the ruling family of Romania amplify. "the ugliness of the imposed ideology" reveals itself. The political system, more and more ignorant, obtuse, not only pulled down industrial and economic performances, but was cancelling all prior efforts. The precipitation in paying the external debt of circa 15 billion USD slashed the development equilibrium, as well as the standard of living for the population, and life became grey, lacking perspective. We were dealing with a dramatic lack of economic mobility and with a sudden drop in social standards...

...Which lead to the victorious Revolution of December 22<sup>nd</sup> 1989. The uncertainty that followed, the collapse of the former pro-soviet socialist system, and the confrontation of our industry with harsh market economy

rules, the promotions into key sectors of the economy and management positions of unqualified personnel, made the transition period a very unpleasant one. Anyway, the passage from capitalism to soviet socialism in 65 years, and then coming back to it and towards a market economy is a process which generated and generates, through its very movement, through its components, strong obstacles, loss of energy and speed...

In these days, so full of political and social turmoil, even ethnic turmoil, in these days of persistent crisis, from the void of questions that arise, concerning the complicated situation of the Romanian economy, an economy with acute existential issues, we have selected several questions which unfortunately, repeated themselves during the last 20 years or so to which we have tried to find an answer. These are:

- a) Why did our industry end up the way it is, the same as agriculture and many other areas?
- b) How were and are public funds consumed, including credits which generated external debt, considering that the results of spending these amounts of money were not noticeable, in a certain increase of production or services, not to mention pensions and social welfare?
- c) Why did the deciding factors amputate salaries, pensions and welfare support way beyond the subsistence threshold of people? I strongly believe we have no coherent economic motivation for this. Let us elaborate.
- d) We will not go into the specifics of numbers, as I am a macro-synthesis economist, a job earned through contest, thus I could notice them, reveal them, analyze them and draw conclusions. I offer, however, two key points. The first one launched by professor Nicolae Belli (Balli, 2002), prestigious researcher within the National Institute of Economics and professor Iulian Văcărel. (Vacarel, 2011)

He proves that losses within the Romanian industry, that the transition of the Romanian economy, was done un-accordingly, via destruction, corruption, national hemorrhagic on all levels, for the benefit of the mighty few, has exceeded the great losses of the national economy, during both the World Wars in which it took part. The second key point is a quote from a recent paper by academician Dinu C. Giurescu, which mentions that in 20 years, as a result of destruction and corruption, "the entire industrialization endeavour of Romania in the 20<sup>th</sup> century was cancelled. Such a destruction of

its own industry is unique in Europe, if not the world.(Giurescu, p.34-37) "In my own studies, I have published thousands of numbers, substantial considerations which reveal such quotes. And then, from where jobs, decent salaries, if enterprises, companies, most of the times wrongly privatized, have been demolished , erased from the face of the earth, even though they had contracts, so markets, both internally and European? Those who decided as such have not been able to stimulate, to manage the encompassing of Romanian production within a global one. We can do nothing without production and jobs. I have been saying it for the last 2 decades. Harder times than these will come, and they will last. Without a serious analysis of what we lost during the last 22 years: how did it come to this, how did the country became polarized by a rich elite, a rare middle class and scores of the poor? Who is to blame...And after that, what can we do? Yet still, any civilized state is a social state. It must offer a good protection for its citizens. Otherwise, its existence does not make sense. Why are things as such here?

Let us further reveal that the banking system belongs to foreign banks up until 90 %, with all the consequences of profit repatriation. Those privatizations are taken into account by state owned companies which will amplify the dramatics of it all. That we are about to lose, to some "fat commissions" and to often suspect foreign trusts, the few natural resources which we still have and which belong to us, rightfully, as national heritage, as well as other riches confiscated from their national owners, often making other misfit citizens rich beyond belief. The necessary measures reveal themselves in a different way than revealed. We must activate the national interest in a classical manner, we must diminish corruption, regardless of the level, deciders must step out of their own personal sphere of interest, where practice revealed they are soundly engulfed, and serve the country. In accordance with great leaders of Romania as well as Europe. Did gen. De Gaulle built a great fortune, or did he allow the people of France to prosper? Did Jean Monnet or Konrad Adenauer think of their own benefit or did they dedicate to the greater goals of their countries? Obviously, the latter. Are these not examples? There are many, the issue is that honesty prevails, that truth dominates and eliminate lies, that modesty and devotion replace corruption for the common good, to cancel the rotten emphasis and supreme care for one's own benefit.

a) The answer to the second question is in complement with the first. Ergo, several times, borrowed money revealed much higher costs than the respective investment, than even abroad. They were put in investments which

were quite dubious at a given moment, often far more expensive and poorly executed, which undoubtedly leads to political relations. Privileged wages in sectors of low social output, particularly when we are E.U. members and there is no war? This does not work so well. There is no doubt that there was prudence with the I.M.F. concerning negotiations, which is well, in fact the I.M.F. being, after all, a bank, which lends money and then tries to gain through interest. The lacking of the fund in places as Argentina, states from South East Asia, disgruntlement in Europe. (Popescu, 2010) Of course, the issues of the Romanian economy are not solved by the Fund, but by our authorities. It is clear to understand that we cannot become speculative, such as great bankers, and that "the light at the end of the tunnel" can only be represented by work and activities as such, productive investments which create jobs, public policies with a social gain. If money would have been spent accordingly, if the issue of budget earnings would be put on the table, within political debts, the possibilities would be endless. (Vacarel, 2011)

b) For pensions, money could not be spent – as people say – as conditions throughout time, changed, and the contributions for social insurance of current retirees were 8-9 times bigger (see life expectancy in Romania) as compared with consuming them through pensions. And then, how come we do not have money for these people, which worked so hard for the country's evolution? Pensions are a right by heritage, they cannot be amputated. Of course, in a logical way, pensions from special lists did not have to decrease the general pension levels in Romania. If they have money, then all is in order. If not, changes are being imposed.

External loans which go into paying wages and pensions for state workers? The argument does not resist a background analysis, as in all the countries of the world, state workers, in exchange for their salaries, offer a socially useful service, which is covered by income to the state budget. That such income was or is not normal, this is a matter of little importance, particularly for state workers in healthcare, education, culture, social workers. Actually, education, healthcare, culture, are and must be fundamental vectors for the nation's evolution. This means that you cannot reduce administrative costs, as well as such costs. While here, we must mention that when you govern a country, you cannot amputate beyond the subsistence limit, otherwise, there is no one left to govern. Government addresses to the living and to the future, not to the deceased, by literally killing them.

...One often recalls the world financial and economic crisis. In my well confirmed by practice opinion, it has three main components. Ergo: a) a crisis of paradigm, meaning the philosophic idea of an economic system, a system in search of new energy and technology, b) the speculation crisis, much to widespread as compared to what speculation should be within a normal economy. Meaning that, without cancelling production, without becoming a substitute of production – a thing which does not last in the medium or long term, fact proven by the world economy; c) the transition crisis, adequately illustrated in Bulgaria and Romania. A transition which solved far too few issues raised by the crisis itself. Such a crisis began here after 1990 and continues up to this point. The engines of economic growth, presented until 2008 – meaning credits, often granted without the necessary backing, the real estate sector which suffers of the same illness, money sent home by Romanians working abroad, these sums stimulate imports and not national production – thus proving artificial. (Popescu, 2010 & Popescu, 2011)

How do we exit the crisis? We need a long term strategy, which lacks, and only by valuing certain market niches, national production will get better. That production, those services which can create jobs, consumption, thus increasing development, standard of living, and thus, progress. So, an effective issue is the promotion of personnel, in all areas and field, where performance, appreciation, international visibility – in a context of integration and globalization – are paramount. Beyond any family or political connections. Failure to do so, promotes only the artificial. Do we have such models to follow? Yes, but we must not copy them blindly, rather, adapt them here, ergo avoiding a big mistake. What the illustrious Freud, the father of psychic analysis said, applies to economics” there is no illness, only ill people”. Each makes the disease in its own way; its symptoms and thus therapy differ from a patient to another. Of course, the patters are the same, but the treatment must be personalized.

Models are dominated by interests, as any economic relation, and nothing else. 1800 years ago, in 212 A.D., the Roman emperor Caracalla, the son of the famous Septimius Severus, issued a decree granting Roman citizenship to all the inhabitants of its empire, regardless of their province of origin, of course, except slaves. (Sartre, 2012, p.68-73) One could say: a visionary, foreseeing the effects of globalization and communities. Only half right. Caracalla issued the decree because many subjects, not Roman, only paid local taxes. And how”Rome” required more money, more funds for its

great projects, he used this way, of Roman citizenship for all, to attract wider resources. Such an example is viable to the European Union today...

Another major issue now, in question marks: national wealth. Why don't we calculate it anymore? Overall, and in its components? We have correct technological models – created by the brilliant researcher Lucian Turdeanu, the son-in-law of a former 40s minister and politician, volumes which, even if they were signed by a former communist prime-minister of Romania (often, it appears as he did not even read them), were conceived by great economists. Most of them have now gone to a better place. But I believe it is good to use what they created, not waste it. It would be a considerable research. After my non scientific calculus, we have lost, in the last 20 years, almost half of our national wealth, through "ordered bankruptcy", destruction in agriculture, the drastic reduction of stocks and structures of education, culture, healthcare, for the population. To look forward, it is well to know where we are. Anyway, we need critics, contesting, but also, great constructors.

Of course, much could be said still. However, I am thinking of closing my argumentation with several examples from the history of countries from the European Union, examples which reveal their brilliant nature to find solutions to whatever situations, but also revealing the limitations of deciding factors. England, 1695, they included the "window tax". Ergo, you had a window, you would pay a tax. The poor population was unable to pay, obviously. Many Englishmen have walled up their window since. We have our own examples: cow taxes, bee tax, smoking tax, but instead of encouraging, they destroyed...yet still; France, 1807, Napoleon issues the decree of Milan – he was trying to create the blockade of England. No European state could trade with the Albion. And what do English merchants do, in order to speculate? They stack the English harbours in the idea that Napoleon will soon be defeated, and then they could invade Europe with their stocks. Bad idea, it took Napoleon 7 years since to loose, and the blockade of goods meant the blockade of capital, with difficulties on the entire production cycle. And when trade finally became free, European and French merchants, did not have enough resources to import, were exhausted, which generated one of the first European crises. Yet another experience to think upon... (Popescu, 2010)

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## MODERN TECHNOLOGY IN RURAL CHARACTERISTICS

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### **Abstract:**

*Electronic business can change the socio-economic life of a people. It can increase knowledge, and employee revenue. In this paper we are focusing on how it promotes improving the structure of economic sectors within the rural areas. Then it can increase the farmers' level of organization. It promotes a career and employment in manufacturing for the village inhabitants. Family life of farmers and the social appearance in the rural environment are greatly improved as well Also it raises the education and social value of the population in the rural areas of the country.*

**Keywords:** *electronic environment, rural area, agriculture, Internet, electronic commerce,*

**JEL classification:** *E42, L81*

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The rural area is a very complex concept which has generated a diversity of views on the definition, scope and their components. The first and most frequent ambiguity of terminology refers to "rural area" and "space farming"; "rural activity" and "agricultural activity" or simply "rural - area". From the beginning it is necessary to note that the two concepts, although relatively close, should not be confused or considered synonyms. The notion of rural space, rural activity, the area is generally larger, more extensive,

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including within the notions of space and agricultural activity or simply agriculture.

To understand the complexity of the rural area is necessary to define, even the summary of the main concepts and components, so rural includes all activities that take place outside urban areas and include three essential components: administrative communities consisting of relatively few members who have mutual relations; strong dispense of the population and collective services, special economic role of agriculture and forestry.

Although the economic, agriculture and forestry have an important place, the meaning of "rural" is larger than that of the agriculture and forestry; here other activities have been included such as rural specific industry, handicraft, productive services concerning agricultural production and unproductive services concerning rural population.

Rural area is the concept that in his complexity has generated a lot of opinions which differ from one author to another, but basically they reach the same conclusions. Like many opinions, "rural area" can be defined in terms of concepts that characterize it, including what it is not urban. This broad definition often creates confusion between the term of rural and concept of agricultural areas, which does not reflect reality.

Rural area is not a specific and heterogeneous area. Heterogeneity can be viewed from two perspectives: the first is the land - topography, subsoil, soil and microclimate, the second issue refer to demography - density, polarization from small settlements to large urban places.

A complete definition of rural area appears by considering the following criteria order: morphological (number of population, density, type of environment), structural and functional (type of activities and relationships).

From this definition of rural area at least the following elements are being highlighted:

The rural area is characterized by low population density;

Establishing human forms are villages and towns, characterized by individuality and discontinuity of the building space;

Productive activity predominantly is agricultural and forestry too, but it also includes the processing industry and trade areas;

Relations between people, mainly are being based on mutual understanding in all respects;

The environment is less polluted than in urban areas, etc.

From 1987-1988 in Europe a new process of deeper appreciation of rural area started. During this time the European rural world campaign has developed, organized by the Council of Europe, campaign consisting of a series of events and conferences on various topics, which were largely the origin of the publication of the Swiss Charter for rural developing world, adopted by the National Rural Committee on 16 December 1987.

The first project of the European Charter of Rural Area was presented to the European Parliamentary Assembly on 28 July 1995, in Strasbourg.

The final Charter was obtained at the Ordinary Session of the Parliamentary Assembly on 23 April 1996 as the Recommendation 1296 (1996) European Charter on the countryside. This Charter was developed to create guiding principles for sustainable development of agriculture, forestry and rural Europe. These principles should serve Member States and members as the basis to prepare a reform of their policies in these areas.

The European Commission responsible for amending the draft of the European charter redefined the rural area by the following: "the expression "arean" of the rural area contains the inland area and the slope area and includes the villages and small towns where most land is used for agriculture and forestry, land areas mountain leisure and entertainment, nature reserves, residential activity and habitat or used for craft activities, service or industry.

The new concept says that the rural area in Europe is a landscape, a precious one, the result of a long history and whose rescue is a lively concern for society. The rural area can perform the functions of supply, relaxation and balance of being required in society more and more, if it remains a living space, an attractive one and equipped with good infrastructure, with agriculture and forestry viable, local conditions favorable for non-agricultural economic activities, an intact environment and a nice landscape .Historical analysis of rural development entails consideration of traditional, modern and contemporary rural. Therefore, the rural is not a static reality, but a dynamic, constantly evolving environment and confronting with the urban. Thus, the modern rural takes the place of the traditional rural. But the countryside is defined as a particular use of space and social life and is characterized by:

- a) a low density of population and construction, making it possible for a vegetal surface to come out ;
- b) agro-forestry economic dominance usage and pastoral too;

c) lifestyle of its inhabitants characterized by their membership in communities of limited size and their relationship with the particular space;

d) a specific identity and representation, with strong connotations of rural culture.

The rural area has certain characteristics that give it some individuality, specificity and authenticity compared to other areas (areas or territories).

In the book "Rural Development in Romania", Prof. PI Otiman synthesizes successful rural characteristics. According to him, the authentic rural area distinguishes from all points of view (economic structure, population, occupations, culture, social life, etc.) of urban areas, industrial, mining, port areas, etc. From these viewpoints rural characteristics can be summarized as follows:

Regarding the economic structure within the rural area, agricultural activities usually occupy the largest areas, agriculture representing the "backbone" of the rural. There are some areas such as the mountain ones, where forestry, together with related forestry, farm forestry, wood processing, craft activities, domestic manufacturing industries of forest resources is predominant both territorially and from the occupation point of view. In some mountain areas, seaside and agro activities, entertainment, sport fishing or hunting activities may prevail. Although there is economic diversity within the rural areas, however it still remains a predominantly agricultural area. The problem of predominantly agrarian rural area is doubtful because as some urban elements appear (infrastructure, economic social and cultural activities) the importance of agriculture decreases as far as the place is concerned regarding the population occupied, the GDP, the value added within the rural area. Not even from a spatial point of view there can be an agricultural dominance because some important areas get other destinations such as: construction, forest plantations, roads, highways, sport fields.

Gradually in all developed countries, rural areas with a predominantly agricultural space tend to decrease.

In terms of occupation the rural space is mainly a manufacturing space where in primary sector activities have a relatively high proportion from an economic point of view. Food production sectors (field crops, meadows, vegetable, viticulture, tree growing, livestock, forestry, forest exploitation, the wood, mining, agriculture related industry, domestic industry and the crafts) have a share of the overall activity of the countryside. Many of the professions

practiced in rural areas are practical professions, normal, some of them requiring professional poliqualfication. By the nature of of the activity, the phenomenon of mutual assistance, cooperation among villagers is much more present than within urban area.

Employment in services, social activities etc., is smaller in proportion. Within the rural areas the private property is predominant, family, compared with urban-industrial areas, the rural world being, in essence, a liberal world. In rural areas, public and private ownership of the state is much smaller, falling usually in reserves and national parks, bordering lands to communication routes and transport networks, some lands with special destination.

Rural areas in terms of population density and size of human settlements, is more airy, more humanized. The rural communities have some specific features, first the interpersonal relations are better and the citizen's participation in community affairs is present. The rural area has a closer social life, where people know each other, from all points of view,an this is an aspect very important for businesses, because business is based on trust.

In terms of landscape rural areas, through its natural structure, through the neat and airy landscape, through the flora and fauna this is incomparably more beautiful and valued by many people. Silence, peace, climate, fresh air, soothing landscape of social calm, are characteristics of rural habitat quality. The rural landscape is an invaluable heritage of humanity. That's why this is a place that should be well promoted, and businesses are expected to do this.

Life in rural areas, more than any other social environment rests on a set of rules emanating from the experience of many centuries of life, traditions, customs and local culture. Rural lifestyles, traditions and customs, form together the local or regional culture. The development of agriculture, increase agricultural yields and labor productivity in agriculture established the release of an important part of the agricultural and industrial activities, occupancy, social services. In countries where appropriate policies were being applied to maintain the population (become) non-agricultural, rural area harmoniously a series of non-agricultural activities, industrial or service type developed. If the introducing of these activities was made by non aggressiveness regarding the rural area, if non-agricultural activities were located within the rural area, then the keeping of its authenticity has been maintained.

The policy of developing the western European countries focused on the principle of continuity and complementarities food activities. Non-agricultural

activities, particularly industrial and service ones were based on the complementarities of agriculture.

Starting from a private initiative, the state should support, with rural development policies, those agricultural activities located downstream and upstream and the processing of local raw materials too. In rural areas small and medium companies were set up which employed workforce in those rural areas. Thus, the share of rural population engaged in non-agricultural activities has the opportunity to work full-time in industry and part-time in agriculture. At the same time, integrating food activities was one of the pillars of rural policies. The principle according to which it is easier and more economic to transport the finished product as compared to agricultural raw materials leads us to the idea of enlarging food investments in rural areas.

As shown by a number of European research, compared with EU countries, Romania ranks last or second to last place on many indicators related to the living conditions of population, and rural environment weighs heavily unfavorable for our country (Alber, Jens, Tony Fahey Perception of Living Condition in year Enlarged Europe, Foundation for the Improvement of Living and Working Conditions, Luxembourg, 2004)

Lagging behind of the rural community in the benefit of technical facilities has multiple historical causes. In developed societies, however, the approach of the village to the city as far as the comfort of living is being concerned, has become so great that traditional rural perception as a underdeveloped area, has lost its significance.

Some areas outside the urban center often or located in different areas of the country offer a comfort level similar or even higher than in cities. This comfort does not characterize, yet, only as a very small extent the situation in Romania but is growing (the case of villa at the outskirts of cities or located in different areas of the country.)

All of this is arguments for the businesses to be implemented in this area and more than this for the digital economy to be implemented for the sustainable development of the rural area.

But, what about the other side of the coin? Among the servitudes present in Romanian rural environment we have to mention: isolation of human settlements, due to location in inaccessible areas, damaged roads, lack of transportation, leading to the depopulation of large area situated mainly in hilly and mountainous areas; scarcity of subsistence resources in general, but especially in small settlements, or in certain communities, including the gipsy

population, especially since the latter do not have agricultural properties and / or forestry, have extremely low employment opportunities in an income generating activity, most often due to failure of education and qualification criteria, major shortcomings in access to public utilities, weak social service coverage areas: education services, health care and social assistance, etc.

No doubt that often, the criteria for servitude are cumulative at the level of municipalities (communities), which leads to severe restrictions in terms of living conditions. All of these servitudes and risks can overwhelm the advantages offered by the natural conditions of life, and make for some of the countryside, not an option for the population living quarters but a constraint in the sense that they are not able to come off of this living environment, because, either they did not have access to adequate school training or do not find work elsewhere or can not have a place in urban area. In other words, you may have to do, rather, with the negative solutions for living and activity in rural areas, especially in agriculture, and not free from external compulsion decisions in choosing occupation and the environment.

An argument not at all neglected in highlighting the existence of difficulties of life of the population in rural areas lies in the fact that the average life expectancy is lower here than in urban, both totally and on the two sexes.

So the challenge raised at the beginning of this paper, the necessity of implementation the information technology in rural area weighs heavily in the case of village population when intended to calculate incomes and consumption research.

The interest of this part of the paper is represented by the incomes and the population consumption living in rural areas, more specifically, the ones of households in rural areas, without having the data on residence units.

The Internet contributes at half of the productivity increase within the European Union, and the member states can not afford that the rural areas loose this potential, mostly during the crisis period”, declared the Commissioner for Communications, Reding.

These are reasons that make us state that the access to the Internet become indispensable even for the rural area.

First, electronic business can change the social life of a people. It can increase employee revenue, and it promotes improving the structure of economic sectors within the rural areas. Also they increase the farmers’ level of organization. It promotes a career and employment in manufacturing for the

village inhabitants. Family life of farmers and the social appearance in the rural environment are greatly improved as well. Last but not least, it raises the education and social value of the population in the rural areas of the country.

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## PIECEWORK, SIGNALLING AND THE SOVIETISATION OF THE EAST GERMAN WORKPLACE

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### **Abstract**

*This paper examines the introduction of piecework, a key aspect of the Soviet workplace, in occupied East Germany. As elsewhere, its implementation encountered persistent hostility from the workforce. What made this episode different, though, was that this process occurred within a context of acute economic and political uncertainty. As this paper demonstrates, the party's various efforts to control the workplace helped to lay the foundations for the Sovietisation of East Germany. This paper utilises a wide range of primary sources to recount this story. It focuses its attention not just on worker resistance, but also on the interactions between party and worker, between the Soviet military and German communists and within the party acquired control of the economy and then learnt how to direct it. To achieve the latter, it first needed to learn how to control and direct itself. This paper also illustrates the importance of signalling mechanisms in a planned economy.*

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## **INDUSTRY - A PILLAR OF STRENGTH ECONOMIC AND SOCIAL DEVELOPMENT. ROMANIAN SEQUENCES**

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### **Abstract**

*In the last 300 years, industry was the key driver of economic development and social, political, military, cultural and spiritual, which are inconceivable without the contribution of this important sector of the economy of any country. At least in these 300 years since the first industrial revolution, industrialization took place in every country in the world along with free trade, protectionism alternation - free schimbism contributing to balancing economic and social development.*

*Nothing is more important than industry between the four basic economic sectors (agriculture, industry, trade and transport). Recrudescence services of any kind, but also the unprecedented quaternary sector (leisure services) in the last 50 years, is based also on the branch industries: services and leisure.*

**Keywords:***industrial, capitalist industrialization, industrialization communist forced industrialization, "industry" after industry, re-industrialization, industrialization, society tertiary, quaternary society.*

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## **1. Introduction**

For more than three centuries, industrialization was the main concern of the states of the world progress and development. (Stoica, 2008) By their leaders of those states, intellectuals, economists and politicians have ignored or not believed in industrialization, are now occupying seats in the states of the two charts in the world, both in terms of economic indicators and the social military, cultural and spiritual.

States that made the first industrial revolution, England and France, have performed well in economic terms, after passing things handmade industry since mercantilist period (the seventeenth century), then reactions favorable current industrialist did not fail to appear in Germany and U.S. (century XVIII - XIX).

As new state created the world map in the mid nineteenth century, the Romanian principalities in 1859, respectively 1862 and then, in 1871, Romania entered the game also alternations of industrial policy and of free trade. "The need to create industry was highlighted by all who were bent on the problems the Romanian economy since the early nineteenth century," said renowned researcher and historian of economic, Radu-Dan Vlad. (Vlad, 2001, p.9) In an outstanding paper (Axenciuc, 2008), Professor Victor Axenciuc, honorary member of the Romanian Academy dealt with the formation of highly professional modern industrial system in Romania, 1859-1914 stage, which he calls "start" industrialization.

Industrialization was therefore the cornerstone in building the modern unitary states, contributing heavily to remove the delays in the economic plan states have adopted and promoted.

## **2. Capitalist industrialization**

"Adopting a policy based on the theory of free trade under external pressure, by Prince Alexandru Ioan Cuza will still be a strong obstacle to achieving this goal. Adoption of such official economic policy will occasion a large battle of ideas, which will contribute to the Romanian economic thought and, alternatively, to crystallize concepts of industrialization of Romania". (Vlad, 2009, p.9) Dan Radu Vlad classified as promoting and introducing ideas of industrialism in the Romanian economy: 1) economic liberalism and protectionism between 1859-1876, with sub-stages: a) economic thinking to

the Union of Romanian, b) concept of industrialization in the reign of CuzaVoda c) affirmation of current protectionist free trade policy amid the decade preceding the independence of the Romanian state;then, 2) economic thinking during application Romanian Customs Convention with Austria-Hungary (1876-1886) and, 3) School Romanian economic and national building industry.”Achievement of national industries concerned since the early nineteenth century all who were bent on the country's economic problems. Without specialized knowledge, they were not able to detect the means by which this objective could be achieved, however stressed that the Romanian economy can never reach a flowering stage of development without established and own industry”.(Vlad, 2001, p.145)

Other scholars studying the influence of industrialization on the Romanian economy and society and world were (in order of time of these studies and publication):Dumitru G. Chițoiu (1931), C. I. Călniceanu (1938), Andrei Vela (1986), Rodica Milena Zaharia (1999), EugenGhiorghiță (2002), Boris Chistrugă (2004), Constantinescu Cornel (2006), Bianca Dumitrescu (2008)și Andreea LoretaCepoiu (2009).

In 1960, Professor Lester Thurow wrote: “I believe that the five elements of the Japanese economic strategy at the beginning of the doubling of income, and, namely, strengthening social capital directly, promoting growth industries (subl.ns.), export promotion , human capacity and technology, social stability by moderating economic structure, could serve as a strategic objective for the American economy by 2000” (Okita, 1992, p.192). These elements led to the growth of Japan in the '60s, strikingly similar to the European continent with Romania's economic growth over the same period have been “copied” if the regime since the country.

### **3. Communist industrialization**

Industrialization was a key issue for all communist regimes around the world. Marxist model of modernization, Romanian communists took over, following the forced industrialization predilection, with an emphasis on heavy industry to “pivot” its main - mechanical engineering, and steel industry, chemical industry, oil and natural gas. Romanian strategy was almost identical to the Soviet early 30's of the twentieth century, which was the first industrial revolution model spent in the West half of the eighteenth century and late nineteenth century. Nationalization of property in June 1948 and beginning of

collectivization in March 1949 made the state the sole owner of resources, which could also be directed towards accelerating industrial development. In the early years of “popular democracy” economic subordination to the Soviet Union have prevented the novel of resources, especially raw materials. Consequently, economic modernization program launched after 1948, was a failure. Proposed parameters have been achieved, although in some industries has been an increase in industrial production. The reality of the late 50's showed persistence of the same problems: mainly economic return, then predominantly agrarian social structure, with low economic efficiency. Industrialization was thus a necessity for the Romanian economy.

Policy of introducing a high accumulation rates (see table) led, while the 10 billion dollar loan from the West (after 1972, when Romania became the first socialist country member of the IMF and World Bank) to an unprecedented development Romanian industry, but, based largely on the technology used, generously provided all of the West.

*Table 1: Income distribution and accumulation national consumer*

Five-Year Fund	Fund consumption %	Fund accumulation%
1951-1955	75.7	24.3
1956-1960	82.9	17.1
1961-1965	74.5	25.5
1966-1970	70.5	29.5
1971-1975	66.3	33.7
1976-1980	64.0	36.0
1981-1985	69.3	30.7
1986-1989	74.3	25.7

Increased provisions Year Plan 1976-1980 was another failure of the policy of forced industrialization of Romania. Main economic indicators, national income, industrial production, were not met. In the medium term, this economic leap forward was felt socially positive: outlets for labor, urbanization, settlements, relative wealth. Long term industrial specialization of entire regions (such as the Jiu Valley, areas Copsa Mica, Baia Mare and others) offered alternative sustainable development respective regions and

social impact by insufficiently studied and known (eg depopulation of villages, migration massive city).The authorities have invested in three areas: some industries such as metallurgy, machine building, mining, chemical industry, infrastructure: the Danube-Black Sea Canal Gate White-Midia-Navodari, Civic Center and the People's House, transforming villages, by systematizing the agro-industrial cities. After 1980, Romanian economy produced goods expensive and of poor quality. In addition, huge effort to repay the external debt of the main technology used and updated industries lack of resources. In 1989, while Romania has announced repayment of foreign debt, economic crisis became acute in all sectors. Industrial products were all less access to Western markets and international financial institutions group avoided in Romania.

Economic development of the country, which ran from 1951-1989 on five year plans, was centered on industrial development, to track and manage in a more Insufficient studied and appreciated, turning Romania into a country with an industrial-agrarian specific economy in developing countries, concerned with liquidation development gaps between areas, regions, counties and near the level of their economic and social development. He sought and obtained largely the creation of a modern economy in the line profile, departmental and regional levels, the industry had a central role and is based on attracting and developing the rational use of available resources in each area and territorial unit in accordance with the needs of the area or country and territorial unit.

Achieve these goals, judicious in itself, but affected the design was focused on heavy industry industrial development, the achievement of industrialization under central planning, the promotion of numerous organizational restructuring and the establishment of organ management and control bodies whose activities often overlapped, which sometimes resulted in conflicting and erroneous decisions, bias in industrial activity, reports of false statistics to the central decision not to disturb others. Into practice the industrial production model based on heavy industry has resulted in an investment effort, made by forcing investment in this regard against household consumption and the cost of deep sectors imbalances.

#### **4. “Industry” after industry**

Having done a exceptional job (Vela, 1986), now published more than a quarter century, analysis “industrial civilization confrontation with himself”, taking stock capitalist civilization at a crossroads, statistical analysis of limits in step with the progress of industrial society forces production, the ministry said Andrew Vela talks about the expected effects of the new mode of production (labor productivity growth jumps, changes in the role of labor in society and man's place in production, human production function is not objectifies), the “industry” of by industry. Please note that A. Vela does not excel in praise of tertiary society, based on the service economy, which expanded as a scab in the countries of the world economy in the last quarter century (1985-2010). ”Thus, he notes, we witness that historical era in which gorillas begin to go down the centuries of Western industrial civilization, as it has been extolled until recently, despite its shortcomings and the great social problems which caused. In support of this thesis to use a historical exemple. The transition from agrarian societies to industrial societies reduced weight, but not the vital importance of agriculture in advanced industrial countries ... (Then he says, quoting from Alvin Toffler), services have been and continue to a certain stage, to be industrialized. But future services by introducing automation and computerization delivered at home, in various forms, provides a new type of self, which coordinates more than industrial.(Vela, 1986, p.229)

How long this period of “industry” after the industry or “duration of the transitional period”, as it was brilliant thinkers anticipated, much less read and understood a quarter century ago? In “Microelectronics and society”, G. Friedrichs and A. Schaff appreciated that the transition would take 30-50 years, so that in this period to have to face a fully diversified company across the globe, more diversified and new values, with new political and administrative structures, the forms of social behavior completely changed, on a very different technology and different lifestyles.

Analyzing the industrial countries to developing modern technical progress, A. Vela review old patterns of industrialization. Guests of large, potential benefits arising from changes in disadvantages. This leads, according to Bruce Naussbauma powerful wave of industrialization, which made huge plants, steel mills, refineries, mines, etc.to become monuments of return.(Neussabum, 1984, p.152-153) After the era of transition to new

strategies, which mankind travels since 2000, highlighting the spiritual resources, technologies, scientific and technical knowledge gained, own and taken the world finds its way slowly toward recovery from primarily to countries with large markets and significant economic resources, as industry, Brazil, Russia or China, that is exactly what happens today.

## 5. Conclusions

Prof. Dan Voiculescu that defined industrialization process of economic transformation and speaks about the character and role of ethics industrialization. (Voiculescu, 1990, p.1, p.101-102) The last 300 years of economic history of the planet are living testimony states that industrialization was the “backbone” of economic and social development of humanity. Industrial and post-industrial society decades of the twentieth century was and remains perhaps the most vigorous example of economic and social development in human history 2,000 years after the birth of Christ.

After industry, as we demonstrated above, human society has entered a new era of excessive development services, a “new industry”, called tertiary society, that conspicuous consumption since the Great Depression of the XXI Century in which we are now. Tertiary society is and will be followed by quaternary or knowledge society, the “leisure industry”, the leisure in which phenomena such as globalization, integration, regionalization, relocation, and deregulation will bring sustainable human development or desired economic and social chaos.

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## THE CRISIS OF 1929-1933 AND ITS EFFECTS ON THE INDUSTRIAL EVOLUTION OF ROMANIA

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### **Abstract**

*The Great Depression of 1929-1933 was a global phenomenon that had experienced various aspects and degrees of intensity, from country to country. Thus, that period exhibited a financial crisis, a crisis of production and trade, and a social crisis; all of which had direct effects on Romania's industrial evolution. After increasing the role of the industry in the national economy during the 1920s, the economic crisis temporarily interrupted this development and was initially reflected in the collapse of income, prices, investments, a multiplying number of bankruptcies, and a rapid growth of unemployment. Meanwhile, Romania's industrial output fell continuously until reaching its peak, in 1932, when it accounted for less than half of the industrial output achieved in 1929. In this context, this paper examines the impact of the Great Depression on Romania's industrial evolution.*

**Keywords:** *Crisis, Industrial Evolution, Income, Investments*

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### **1. Introduction**

Romania's industry in the interwar period experienced a high growth rate, which further resulted in achieving a record high in the eve of World War II, in 1938. The evolution of Romanian industry started from a very low level, after completing the First World War, such that the industrial production

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registered, in 1919, a value equal to approximately 25% from the 1913 production levels. Industrial policy in the interwar period was strongly influenced by the ideological confrontation between the two dominant parties, National Liberal Party (Liberals) and National Peasant Party (Peasants). The Liberals won because they controlled most of the banking system and the National Bank of Romania.

During the interwar period, the role of industry in the Romanian economy increased because of the raw material resources, credit policy, favorable legislative and investment policy. The highest degree of industrialization, as reflected by the coefficients of industrialization, was observed in the glass industry, construction, metallurgy, electrical engineering and the chemical industry.

Amid this evolution, the economic crisis temporarily interrupted this rapid development and the industrial production collapsed registering a decrease in the peak of the crisis, in 1932, by 57% compared to the same number of 1929. After 1933, the growth was resumed, and the industry was stimulated by various measures of encouragement.

Between 1923 and 1938, the Romanian industry has grown at a rate of 5.5% per year, registering one of the highest rates in the world. In the interwar period, Romania ranked first in Europe and sixth place at a worldwide level in oil production, second place in Europe in the gold extraction and in gas extraction, and in 1938 domestic production contributed to 80 % of the demand for industrial products in Romania.

## **2. The Great Depression of 1929-1933**

In United States of America, following the end of World War, the economy has entered a new phase. Unprecedented development of scientific and technical innovations during the war and immediately afterward, has created a significant distance between the industry's capacity to create competitive products and the employees' ability to buy them, while the savings rate of the population with above average incomes recorded values higher than the growth investment opportunities, leading to an unprecedented increase in prices of assets, mainly stocks and real estate.

Economic activity has exploded in the period 1920-29, namely the industrial production index calculated by the Federal Reserve rose from 81 points in 1920 to 114 in 1929 (thus, an increase of 41%), while the average

annual GDP growth in U.S. during the same timeframe was 4.6%, and the U.S. industry produced approximately half of the world's total industrial production.

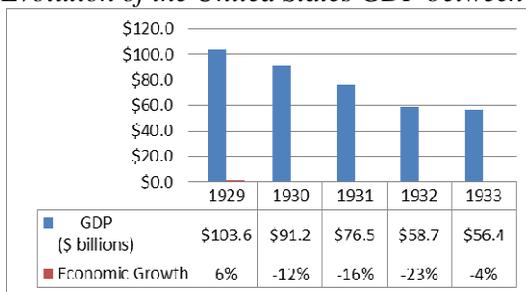
As regards to the stock exchange, it increased dramatically for eight years, until 1929, timeframe in which the Dow increased by over 600% (from 63.9 points in August 24th, 1921, to 381.17 points on September 4, 1929), and the causes identified for this phenomenon are:

- The increasing number of investors
- The increasing savings rate
- The cheap money policy
- The companies' investments created overproduction
- The lack of regulations concerning the stock exchange activity
- The psychosis of consumption

In October of 1929, the Wall Street stock exchange crashed by 40% within one week. Thus, investors were left in the memory of two dark days: on October 24 - Black Thursday - a bullish stock market trend (increasing) turned into a bearish market (downward trend), and, especially October 29 - Black Tuesday - represented the most devastating day in the history of the U.S. stock market as all the previous year's stock market growth was canceled. Only in the time period of October 29 to November 13, 30 billion dollars was evaporated on the stock market, compared to the total amount of U.S. expenditures in the First World War. In three years, the Dow Jones lost 89% of its value, dropping from 381.17 points on September 4, 1929, to 41 points on July 5, 1932. It took 26 years to reach the peak recorded before the crisis.

Officially, the economic crisis lasted from August 1929 to March 1933, and the evolution of U.S. GDP was the following:

Figure 1: Evolution of the United States GDP between 1929-1933



Source: Own computation

Compared to 1929, in 1933 the U.S. industrial production fell by 37%, England's industrial index decreased by 5%, Germany's by 32%, and France's by 17%. The year 1932 was the peak year of the crisis, registering a level of about 30 million people who were unemployed in all the developed countries, of which 15 million were from the U.S.A. The wages had plummeted. The industry crisis was accompanied by a crisis in agriculture, and then expanded in all major areas of an economy.

*Table 1: Evolution of the Industrial Production Indices between 1927 and 1935*

Country	1927	1928	1929	1930	1931	1932	1933	1934	1935
Great Britain	95	94	100	94	86	89	95	105	114
Canada	85	94	100	91	78	68	69	82	90
France	84	94	100	99	85	74	83	79	77
Germany	95	100	100	86	72	59	68	83	96
Italy	87	99	100	93	84	77	83	85	99
Sweden	85	88	100	102	97	89	93	111	125
USA	85	90	100	83	69	55	63	69	79

Source: *businessday.ro*, 2009 & *OEEC, 1958 (Industrial Statistics, 1900-57, Paris)*

Thus, the crisis that began in October 1929 represented the strongest contraction of the 20th century, a crisis that shook the world and included all the branches of an economy's activities. After the Black Thursday, stock plummeted and bankruptcies began to flow in an unstoppable chain (Popescu, 1999).

Regarding the structure of the crisis of 1929-1933, it was divided in three distinct phases:

- The first phase - the period between October and December 1930 when the American banks showed the first signs of weakness and the lack of any guarantee for deposits resulted in the rapid spread of panic.
- The second phase - the period between June and December 1931, which was preceded by the collapse of the largest Austrian bank, Kredit-Anstalt (May 1931), when the crisis reached the European banking system. In 1931, the U.S. price index fell by 9.4%, the industrial production index declined by 15%, the M1 money supply decreased by 5.7%, and the interest rates remained constant at 11.3%.

- The third phase - the period between December 1932 and March 1933, namely the culmination of the Great Depression. Compared to 1929, the macroeconomic record experienced disastrous values: unemployment rose from 3% to 25%, the stock exchange lost 80% of its capitalization, the index of industrial production dropped by 52%, money supply contracted by 33%, the stock price index decreased by 33%, and a third of the banks went bankrupt or were acquired.

### **3. The Crisis of 1929-1933 in Romania and its Effects on the Industrial Evolution**

The end of World War I found the Romanian economy in a difficult situation, mainly because of the wartime destruction and the fast declining industrial capacity (Popescu, 1999).

The Romanian economy during the two interwar decades had developed under the new conditions of territorial unification, in a completely new and different context compared to the one from the prewar period, both internally and externally. After the end of the First World War, there was an integration of the national economic heritage, with the material and human resources, and the technical capabilities of the new provinces, resulting in increased production and a diversified potential of the Greater Romania. This integration has led to a broader national market for selling and buying.

Romania's economic assets increased by 2.2 to 2.5 times compared to the pre-war Romanian state: population increased from 7,222,000 to 14,670,000 inhabitants (an increase of 103%), the area grew from 137,903,000 km to 295,049,000 km (a growth of 113%), and the railway length rose from 4,155,000 km to 10,583,000 kilometers (an increase of 155%) (Josan, 2004).

After 1918, Romania was mainly an agrarian country, with agriculture as the main source of social product which employed approximately 80% of the working population of the country. Thus, land and its usage structure had a great significance in the production of material goods. Given the fact that the national area of the country grew, all the surfaces used for agriculture increased by different proportions, however overall the structure of the land did not change substantially in terms of the main categories of agricultural land and arable land.

The territorial unification did not change substantially the pattern of the economic and social development of Romania, but they did create the

necessary conditions for a faster industry evolution. Unlike the situation in agriculture, the industrial potential experienced changes of quantitative and qualitative structure. The industrial inquiry of 1920 regarding the situation in 1919 highlighted the growth potential of the large manufacturing industry, recorded after the unification as follows: the number of enterprises increased from 1114 to 2747, registering a 247% growth, the driving force amplified from 189,776 to 375,011 hp. (enhancing by 198%), and the production value escalated from 6,190 million to 11,712 million lei (an increase of 189%). The most significant contribution brought on by the new provinces was in the industry of metallurgy, wood, building materials and chemicals (Josan, 2004).

In pre-war Romania, mining was represented mainly by the oil industry, while in Transylvania and Banat there was no oil, but these two provinces had significant deposits of coal, ferrous and nonferrous complexes, gas sources, which represented the base for the extractive industry, steel and metallurgy industries in these two regions. The Greater Romania had significant mining resources, oil, coal, iron, nonferrous metals, which were the basis for the development of the national industry. (Popescu, 1999)

A feature of the interwar period was the continuation at a superior level of Romania's industrialization process, which required the application of a law to encourage and stimulate the industry development. Thus in the two decades of the interwar period, under the new conditions of unification, territorial and socio-economic integration, and external circumstances that decisively influenced the course of the domestic processes, the industrial development was growing, peaking in 1939-1940, as a result of the general policy of control and protecting the economy.

After the slow and prolonged recovery of the industrial production, starting from the 1922-1923, followed a period of economic stabilization that lasted until 1928. The economic stabilization that began in 1922 was mostly based on the recovery of the war-torn economy. The restoration and development of the national economy was blended closely with the increasing role of foreign capital in the Romanian economy after the war. (Popescu, 1999)

Romania's timeframe of economic growth between 1922 and 1928 was interrupted by the economic crisis of 1929. Thus, the economic crisis in the years 1929-1933, had major negative effects on the capitalist world and reached Romania also. The complexity of the crisis was caused by a series of internal and external factors, including:

- The predominantly agricultural character of the national economy;
- The intertwining of the crisis in the agrarian and the industrial sectors;
- The poverty of the population;
- The domination of foreign capital;
- The increasing external debt due to the contracting of more loans
- The specific foreign trade of Romania, characterized by the selling of cheap products - oil, grains, some raw materials in exchange for expensive imports of industrial products.

The worsening of the economic crisis in Romania resulted in massive declines in prices and production, industrial bankruptcies, bank and commercial insolvencies, widespread layoffs, degradation of agriculture. Consequently, between 1929 and 1933 the production value represented, on average, only 57.2% of the production of 1928.

*Table 2: Evolution of the Romanian Economy between 1928 and 1933*

<b>Years</b>	<b>No. of firms</b>	<b>Employees (thousands)</b>	<b>Value of production (billions of lei)</b>	<b>Value of wages (billions of lei)</b>
<b>1928</b>	3,966	207	61.0	7.7
<b>1929</b>	3,736	201	56.1	7.7
<b>1931</b>	3,624	152	33.2	5.4
<b>1932</b>	3,557	152	32.5	4.4
<b>1933</b>	3,487	185	34.9	5.0
<b>Indices</b>				
<b>1928</b>	100.0%	100.0%	100.0%	100.0%
<b>1929</b>	94.2%	97.1%	92.0%	100.0%
<b>1931</b>	91.4%	73.4%	54.4%	70.1%
<b>1932</b>	89.7%	73.4%	53.3%	57.1%
<b>1933</b>	87.9%	89.4%	57.2%	64.9%

**Source:** Axenciuc, V., *Introducere în istoria economică a României. Epoca modernă*, București, Editura Fundației „România de Măine”, 1997, pag. 283-284

Between 1928 and 1933 the industrial production value was reduced almost to half, from 61 billion lei to 34.9 billion lei, while the number of employees decreased by 22,000 people, from 207,000 to 185,000.

As it can be observed, the declining industrial production level was much higher than the decreasing number of workers, but the limiting layoffs was made possible by the massive drop in wages. Regarding the price developments, overproduction caused a significant decrease of prices so that prices of industrial products were reduced by 37.9%, and the prices of agricultural products dropped by 55.1% (wheat prices fell by 70%, and maize by 80%). Concerning the oil (Romania was a major oil exporter at the time, ranking seventh place in the world), the price diminished more than 75%, while production increased from 4.8 to 7.3 million tons.

The impact of crisis on the evolution of Romania's industry is presented in the table 3.

*Table 3: The impact of crisis on the evolution of Romania's industry*

	<b>1929</b>	<b>1931</b>	<b>1932</b>	<b>1933</b>
<b>Extraction of oil</b>	112.9	157.9	171.6	172.2
<b>Mining of coal</b>	100.6	63.4	54.5	49.8
<b>Value of mining production</b>	100.0	47.0	47.0	47.0
<b>Value of oil production</b>	100.4	37.0	39.7	43.8
<b>Value of manufacturing production</b>	92.1	54.5	53.4	47.3

**Source:** *Popescu, 1999, p.108-109*

#### **4. Conclusions**

The impact of the Great Depression from 1929 till 1933 on the Romanian economy was a significant one - Romania's encyclopedia shows that the onset of the global crisis caused the Romanian economy to lose annually between 12 and 25 billion lei, with the total loss in the period of 1930-1938 of more than 159 billion lei. For a more comprehensive comparison, the state budget in Romania's fiscal year 1935-1936 amounted for 21 billion lei.

The Great Depression of 1929-1933 was a global phenomenon that had experienced various aspects and degrees of intensity, from country to country. Thus, that period exhibited a financial crisis, a crisis of production and trade, and a social crisis; all of which had direct effects on Romania's industrial evolution. After increasing the role of the industry in the national economy during the 1920s, the economic crisis temporarily interrupted this development and was initially reflected in the collapse of income, prices,

investments, a multiplying number of bankruptcies, and a rapid growth of unemployment. Meanwhile, Romania's industrial output fell continuously until reaching its peak, in 1932, when it accounted for less than half of the industrial output achieved in 1929.

The out of the crisis process was difficult, by reducing staff and intensifying production. The protectionist policy and the influence of Keynesian interventionist policy had a great impact on the recovery, further creating the favorable conditions for investment in certain industries, mainly in those that produced goods for export.

Thus, during 1933-1938, the industry registered a sustained growth with augmented production by 32%, thereby recovering the loss during the crisis. Industry growth was due, largely, to the interventionist measures followed by all countries: raising customs duties, restricting imports of consumer goods that could have been produced in the country, granting export bonuses, and increasing the value of state orders.

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## FINANCEMENT DE L'ETAT

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### **Abstract**

*Pour accomplir ses missions, l'état, doit collecter les fonds nécessaires, il dispose de trois possibilités:*

- 1. Les revenus de son patrimoine*
  - 2. L'Emprunt*
  - 3. L'Impôt*
- 

### **1. Les revenus du patrimoine de l'état.**

L'état dispose d'un territoire, d'espaces naturels, d'un patrimoine foncier, immobilier, industriel. Une bonne gestion de ces biens doit assurer des recettes qui peuvent être mobilisées pour faire face aux besoins actuels ou futurs de l'état.

Cette volonté des gouvernants est ancienne, il suffit de penser à Colbert qui décida la plantation de chênes dans les forêts domaniales pour les futurs mâts des bateaux devant assurer la suprématie de la marine française, 2 à 3 siècles plus tard!

A la fin de la 2ème guerre mondiale, les états européens confrontés à la reconstruction se sont plus ou moins largement investis dans l'activité économique. L'énergie (charbon, électricité hydraulique et nucléaire), les transports, les banques, l'armement en période de guerre froide, les bâtiments et les travaux publics ont fait l'objet d'une planification de leur développement. Des entreprises ont été étatisées soit par opportunité (collaboration pendant la guerre) soit parce qu'elles apparaissaient stratégiques. Si l'Europe de l'est a collectivisé totalement les unités

de production à l'ouest, la part de l'état pouvait atteindre 40% à 50% du Produit Intérieur Brut dans certain pays. Les collectionneurs de timbres savent bien que dans les années 60, de nombreux timbres ont immortalisé les grandes réussites technologiques mais aussi l'apparition de nouveaux produits. Ce cycle de 25 à 30 ans de type Kondratiev a été marqué par une forte expansion, le plein emploi et des avancées sociales significatives.

Puis progressivement, le néolibéralisme a gagné les gouvernants qui ont souhaité voir l'état se désengager de l'économie par des transferts de pans entiers de l'économie au secteur privé et se concentrer sur des services publics de plus en plus restreints.

Cette évolution a diminué d'autant les recettes de l'état, en France en particulier sans qu'il restreigne en conséquence son train de vie car il continuait à voter des budgets en déséquilibre années après années. Pour faire face à la crise financière actuelle, les ressources du patrimoine de l'état ne suffiront pas et de loin.

## **2. L'Emprunt.**

L'emprunt d'état est indolore voir même invisible pour le citoyen car il en bénéficiera immédiatement, par les services de l'état mis à sa disposition, mais le remboursement et donc l'effort financier du citoyen sera différé dans le temps.

La durée de vie d'un ministre est assez brève et il peut être conduit à privilégier la satisfaction immédiate du citoyen quitte à la financer à moyen ou long terme. Cette tendance est d'autant plus grave que l'état s'est très largement désengagé des grands projets industriels ou de recherches qui n'ont de rentabilité qu'à moyen ou long terme.

Le recours à l'emprunt n'est justifié que si les générations futures qui seront obligées de rembourser bénéficieront aussi des projets ainsi financés; ce qui implique que l'emprunt doit financer essentiellement des projets d'investissements générateurs de produits ultérieurs. Tel ne sera pas le cas si l'emprunt ne sert qu'à assurer le train de vie de l'état, les salaires des fonctionnaires ou le paiement des intérêts de la dette. Les prêteurs deviendront de plus en plus exigeants, les services de l'état seront de plus en plus restreints, le citoyen de plus en plus inquiet, et les agences de notation baisseront la note des états dispendieux. La privatisation du patrimoine de l'état a tari les ressources propres, l'emprunt des états endettés sera de plus en plus cher si bien que le citoyen deviendra plus en plus le contribuable et il devra accepter de voir l'état se servir largement dans son panier (en latin ficus d'où vient le fisc et la fiscalité)

### 3. L'Impôt

La troisième source de financement de l'état est l'impôt qui est à la base de toute organisation collective et représente la contribution de chacun des membres du groupe à la vie commune. L'impôt provient de trois sources:

- le revenu
- la fortune ou la patrimoine
- la dépense ou la consommation

La perception par le citoyen de ces trois prélèvements n'est pas identique même si au final, c'est un versement à l'état.

L'impôt sur la fortune concerne les plus riches...les autres, s'il est douloureux pour certains, il est très bien accepté par ceux qui n'y sont pas assujettis. Si l'impôt sur la fortune a une assiette restreinte puisqu'il ne s'applique en France qu'au patrimoine supérieur à 800 000 euros, le contribuable ne doit pas pour autant oublier les taxes foncières le bâti et le non bâti.

L'impôt sur la dépense est perçu comme une composante plus ou moins cachée du prix et s'il touche tous les consommateurs, son caractère indirect le rend plus supportable. Bien entendu les libéraux purs et durs favorisent cette fiscalité partant du sophisme que le contribuable qui veut ne pas payer l'impôt sur la dépense peut éviter de dépenser! Hélas, le citoyen ayant des revenus faibles devra malgré tout acquitter l'impôt sur la dépense pour l'eau, l'électricité, le logement, les dépenses alimentaires minimales et autres... Mais ce contribuable involontaire protestera facilement auprès des sociétés distributrices d'eau, d'électricité, du syndic de son immeuble ou de la grande distribution alors qu'entre 5,5% minimum à près de 20% de sa dépense est imputable à l'état.

L'impôt sur le revenu devrait être le fondement de la contribution collective car potentiellement il concerne l'ensemble des citoyens et que sa perception, au sens propre et au sens figuré est très fortement ressentie? Malheureusement, l'impôt sur le revenu, sous la pression de différents groupes sociaux, fait l'objet de réductions, de crédits d'impôts, d'exonérations multiples qui finissent par le dénaturer et le rendre inéquitable.

De nombreuses professions ou fonctions bénéficient de dispositions particulières: ambassadeurs, journalistes, assistantes maternelles, artistes etc...et même à une époque, les dentellières ou les fabricants de pipes! Mais en période de crise, le législateur doit avoir à l'esprit le dicton célèbre: «Trop d'impôt tue l'impôt».

Des impôts trop forts sur la dépense pénalisent les classes populaires et moyennes qui freinent leur consommation, la croissance et...les rentrées fiscales. Des impôts trop élevés sur les revenus peuvent inciter les classes supérieures à s'expatrier pour échapper à l'impôt, après tout, Monaco propose un climat agréable!

Pour assurer de manière pérenne et souveraine son financement, l'état doit s'affranchir des contingences des marchés financiers spéculatifs. Le libéralisme économique a considérablement réduit les marges de manœuvre des gouvernants et la première décision à prendre, c'est de réviser en profondeur la politique économique. L'ordre des mots a son importance, la politique doit primer sur l'économique et agir en même temps sur les trois sources de financement.

L'état doit d'abord valoriser au mieux le patrimoine national: les espaces naturels, les forêts domaniales, les richesses artistiques et immobilières et en priorité absolue, les compétences, les savoir faire manuels, conceptuels et intellectuels et donc l'éducation et la formation générale, artistique et technique. L'état doit définir des stratégies de développement pour la nation et retrouver les vertus de la planification souple mais incitative. L'état doit investir massivement dans la recherche fondamentale mais aussi appliquée et il ne doit pas s'interdire d'être partenaire financier des industries jugées stratégiques, par exemple dans les énergie renouvelables. Ces investissements productifs nationaux voir européens ne grèveront pas la balance des paiements à court terme et assureront des ressources à moyen terme.

L'emprunt remboursé pendant plusieurs années doit sur la même période produire des gains collectifs au moins égaux à la charge de remboursement. Cette règle de bonne gestion admise, l'état doit aussi sélectionner ses prêteurs. Pour éviter toute dérive ultérieure, l'état doit privilégier les prêteurs n'ayant pas de pratiques spéculatives.

La première priorité, c'est de mobiliser l'épargne nationale ou européenne suivant et l'importance des projets. L'épargne populaire se sentira concernée si elle connaît les projets et si elle obtient une rémunération un peu supérieure au livret A de base, cette démarche aura aussi pour effet d'associer le plus grand nombre et de renforcer la cohésion sociale. Bien entendu, seules les banques de dépôt seront les intermédiaires à ce type d'emprunt et elles pourront par ailleurs conforter l'effort de l'épargne populaire.

La deuxième priorité, c'est de faire évoluer les esprits et les règles de gestion de la banque européenne afin qu'elle impose des règles budgétaires strictes mais aussi des prêts ayant vocation à générer une croissance à moyen ou long terme par des investissements judicieux.

Enfin, l'impôt qui est la contrepartie de l'adhésion à une collectivité doit respecter quelques principes simples. Pour être admis de tous, il doit être compréhensible par tous sinon les soupçons sur des tricheries ou des avantages indus conduiront les contribuables à rédiger des déclarations de revenus largement minorées. Ceci veut dire que les réductions, les crédits d'impôts, les exonérations doivent être supprimés ou pour le moins réduits dans la plus grande transparence. Toutes les rémunérations, toutes les recettes, tous les avantages en nature doivent aussi être intégrés aux revenus. La progressivité de l'imposition doit aussi être renforcée car il faut que les titulaires de hauts revenus n'oublient pas que c'est la collectivité qui, en finançant en grande partie leur formation initiale et permanente, leur a permis de progresser socialement, d'obtenir des rémunérations substantielles qui doivent les conduire à accepter une juste redistribution générationnelle.

Les trois sources de financement de l'état ont une dimension temporelle et impactent les citoyens de manière différenciée.

L'emprunt permet de satisfaire des besoins immédiats mais il engage les citoyens actuels et futurs, il doit financer des investissements ayant des retombées positives pendant toute la durée du remboursement.

L'impôt a une dimension annuelle, il doit donc financer des charges de court terme: fonctionnement, remboursement de la dette. Il peut aussi, au nom d'une solidarité intergénérationnelle, financer des projets générant des produits ou services futurs, encore faut-il que la collectivité l'accepte.

Les revenus du patrimoine de l'état peuvent être utilisés pour financer des projets à court, moyen ou long terme sans vouloir prôner une collectivisation de tous les moyens de production, le législateur doit mettre en œuvre une politique de maîtrise et de développement des ressources du patrimoine de l'état, en particulier dans des secteurs stratégiques ( énergie, transport) et les dotations naturelles et culturelles.



**THE IMPACT OF THE INDUSTRIALIZATION PROCESS ON THE OTHERS SECTORS OF THE ROMANIAN ECONOMY. THE DYNAMIC ESTABLISHED BETWEEN INDUSTRY AND AGRICULTURE (1866-1939)**

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**Abstract**

*Once obtained its independence, Romania began a vast process of rebuilding its economy on new bases. The main interest was focused on developing a national industry, the industrialization process representing one of the most significant chapters of the Romanian economic history, as well as of the history of the national economic thought. Placing/considering the industry as the center of the economic system came to invalidate the theory of a "signally agrarian Romania", marking the beginnings of a diversification concerning the structure of the Romanian economy. Although the industrialization constituted an unquestionable premise of the modernization of the economy, the Romanian society and particularly its politicians could not deny and diminish the role of the agriculture in the national economy. The present paper wants to preset the impact (direct or indirect) of the new economical orientation on the evolution of agriculture, a traditional sector, and to debate upon the place and role that have been granted to the Romanian agriculture in the new created, industry centered, independent economic system.*

**Keywords :** *Industrialization Process, Romanian Economy, Agriculture*

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