

**THEORETICAL ALTERNATIVES FOR THE ROMANIAN MANAGEMENT
BY VIRGIL MADGEARU**

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ABSTRACT

Any approach to the study of the Romanian economy in the first half of the twentieth century cannot achieve success without studying the work of Virgil Madgearu. There is no economic field that he was not concerned about it.

Back in the country, after graduating in Germany, Virgil Madgearu remain adiscipleto his mentor, Karl Bücher, professor at the University of Leipzig. The economic situation of a country has a historical background, knows several periods, progress or regress, with determination and favorable circumstances or events which actually define the difficult road that materializes in realities of the present. Nothing can go beyond the established history of internal or external factors. Virgil Madgearu in most of his studies, is convinced that nothing can be achieved without adequate analysis and without knowing the economic evolution.

The efficiency and success of a business are determined by several factors: accumulation, quality of work, economic circumstances, leadership, and not least, assumption by the state the policies which he elaborates.

As a politician, Virgil Madgearu was concerned about finding solutions adapted to the realities of Romania, considering that agriculture is the most important factor, seconded by the industry.

Also he appreciates the importance and role of cooperatives, banks, the autonomous administrations of the state and suggests the reorganization for the latter on a commercial basis etc.

KEYWORDS: social management, agrarian management, industrialization.

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1. INTRODUCTION

Fresh graduate of the University of Leipzig, Virgil Madgearu attempted to put into practice what he learned there, although the Romanian economic realities were different from those in Germany. Among its concerns a special place was taken by the social issues, the evolution and development of agriculture and industry. Romania was ,at the beginning of the twentieth century, an agrarian state with great natural resources, with a nascent industry that benefited from legislation that meant to support it, the necessity of which was understood by all policymakers. With regard to the development position in the economic, agricultural and industrial uses, they had different approaches to their supremacy. A group claimed that Romania had to first develop agriculture and others claimed industries. These positions were determined by the diverging interests between conservatives and liberals, and later between liberal and peasants parties. In this political framework, Virgil Madgearu operated. "Developing our economic life, due to Romania's entry into the sphere of influence of the capitalist countries, the momentum trade and the birth of big industry were made so quickly that we did not have the elements prepared for first locations of these

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economic activities, and others from outside came and occupied them". Driving elements as business capital of commerce, industry, bank and transport were in bulk of foreign nationality. "The main principles that a manager must take into account in its work were the economic structure and profitability" (Madgearu, 1916).

2. SOCIAL MANAGEMENT

Virgil Madgearu's youthful enthusiasm led him to approach social problems in his first works: *The Issue of Craftsmen* (1911), *Home industry and social insurance* (1913), *Safety of workers in Romania*, (1915). Concerns about knowledge of the field started when he was studying in Leipzig, social issues being studied in countries where industrial development had evolved hitherto unprecedented. The industrial activity was divided into the factory production, specific to big industries and work at home, specific to small industries. In 1910, in Brussels, the first International Congress of home working was held. On that occasion an exhibition of work at home products was organized and wages of workers in this industry were analyzed. The superiority of factory labor to work at home resulted inevitably into a better payment, a higher standardized life and those working in small industries had lower salaries and lower living conditions. Virgil Madgearu, analyzing realities in Europe, concluded that domestic workers supplemented their income from other activities, but after some investigations it appeared that this fact was not accurate, and made him better understand the craftsmen situation in Romania." A formal investigation of the Labor Office in France showed that in 60% of cases, domestic workers have no other means of living than those gained from their work and they received "wages of hunger" (Madgearu, 1913). In order to attract public attention to the difficult situation in this branch of the economy, exhibitions were organized of labor at home, the home produced items appeared each with labels stating their poverty history" (Madgearu, 1913) in which they were given wages and the working hours. The first exhibition of this kind was organized by the union of home workers at Berlin in 1904. The model was taken over by the Daily News in London, the Sillon company of Paris etc. A measure to support the work at home was the introduction of electric machines in the industry at home as well as the association, cooperatives and consumer education. There were clashes between factory workers and home workers the former.

Considering the latter guilty of the price decline. In the industrial countries professional associations workers appeared (syndicats professionnels, Gewerkschaften, Trade Unions) who fought for better wages and better working conditions, while home workers could not be organized due to the different interests they had, i.e., getting a salary completeness of their income from elsewhere, that they do not work and do not live together ... " (Madgearu, 1913). The only solution on helping workers home was the state interference and ensuring a minimum of existence, child protection, advertising and legal regulation of wages, minimum wage fixing. To observe the law, Virgil Madgearu says it was not enough "the body of labor inspection", but it was necessary to call for public help and „this can be done only through wide publicity of minimum wage rates..." (Madgearu, 1913). The most important thing was deemed to be considering social security in the event industry at home. Regarding Romanian realities these issues remained a mere demand, even if expressing an indisputable truth. "The only source of earnings of the worker is the power of labor and any circumstances, reducing it or destroying it, thus missing its owner and his family - partially or totally - of their means of living." (Madgearu, 1913). To eliminate abuses of any kind, Madgearu advocated the mandatory employment contract which, is under the effect of the right of workers to the interests of social insurance, without having paid dues required by law, which is the obligation of his employer... (Madgearu, 1913). No preoccupation outside its attention was any situation in which the small specific home producer of common industry is his own boss. Virgil Madgearu attempted to address this problem to Germany, the homeland of social insurance "fee payment obligation considered necessary in this case. Romania was at the beginning of its industrialization, and social issues always stood to attention, but few had been resolved, their resolution would be resolved through the development of the entire economy. The great industry began to assert

themselves and to show superiority while small industry after World War I, began to emerge out of concern of the political class in Romania. The complexity of the economic life showed that he could not make an analysis of the evolution of craftsmen domestic industry without knowing the level of agricultural development (Madgearu, 1913).

3. AGRARIAN MANAGEMENT

Capitalism influences and determines, ultimately, the development of the peasantry, who is forced to adapt to the new realities of the market economy. The advantages that technology creates are obvious. Inspired by the German school, Virgil Madgearu shared the same ideas which referred to landowners' efficiency and ability to produce more, but at the same time was a consistent defender of small properties. (Toronțiu, 1936). Looking on many centuries ago, homestead had managed to achieve almost everything necessary for a family, but now, in the new industrial revolution, it could no longer meet these needs. The market was flooded with industrial products, which had penetrated almost everywhere in the home. Rural economy could not isolate these products and could not keep up with the pace of development of capitalism imposed by industry. Virgil Madgearu understood that small property was no longer an important market factor that began to gain global dimensions; it did not provide a level of family satisfaction. These peasants still believed that the only solution to improve the situation of the peasantry was the cooperative development (Madgearu & Mladenatz, 1930). A keen observer of the European economy, Madgearu defined the concepts of agrarianism, capitalism and imperialism in a European political context, full of contradictions after World War I, when the place of Romania in the European economy was beginning to be threatened by policies of reagriculturalization of industrial countries. Post-war economic situation was particularly difficult, and the member states of the world made great efforts and proposed various solutions for economic recovery. The world market had recovered not only with great difficulty but also after a transitional period two important guidelines were considered: reagriculturalisation of the countries with a developed industry and agricultural development of the industrialized states. In this context, starting from the existing economic realities, Virgil Madgearu was a true follower of the "agrarian revolution" (Bücher, 1920 cited in Toronțiu, 1936) that could take place, in his view, only the natural framework created by capitalism. As far back as his study period he agreed with K. Bücher making a proper analysis of the economic process through which a country proceeds into capitalism. Specific policies factors and property developments had led to a slowdown in the development of the Romanian agriculture. But Virgil Madgearu was criticized by Pamfil Șeicaru who was stating: Virgil Madgearu subscribed to *Wirtschaft und Statistik* journal follows the agrarian policy of Germany only theoretically. But this lineup library was not enough to meet the complex agrarian economy of Romania, a man who for generations had had no contact with the earth" (Șeicaru, 2000). Great Depression of 1929 led industrial countries in Europe to move to a farming system, super protectionist, ensuring farmers a monopoly on the domestic market. That movement had resulted into countries with a developed industry, of doubling agricultural prices on the world market. In contrast, in Romania and in all agricultural states of southeastern Europe, there was a decrease in the national income instead of capital deformation process and peasant agriculture was sentenced to intensification" (Madgearu, 1995). His position towards the policy of was expressed in 1934 at the University of Berlin, where industrialization and reagriculturalisation was the topic of his lecture (*Revista pentru știință și reformă socială*, 1936). In his opinion, the two orientations were antagonist. He also believed that there must be a balance between agriculture and industry that benefits both developed countries resorting to reagrarianism and member states wishing industrialization (*Revista pentru știință și reformă socială*, 1936). Tightening markets had affected all countries, but especially those founded on agriculture. In those circumstances, Madgearu considered beneficial to speed the process of policies needed to support industry development in the agrarian states, claiming their industrialization, through the rational use of all forms of wealth springs and all forces to achieve a balance between agriculture and industry. The situation of the agrarian economy became particularly difficult in the view of Madgearu who saw

this process of agrarianism of the industrial states, the destruction of the world economy, founded in the nineteenth century on the free exchange of complementary national economies, exchange of agricultural products and raw materials against manufactured ones (Revista pentru știință și reformă socială, 1936). This remains true today and it is easy to see that trade between an agrarian and industrial one are not equivalent, agrarian states are totally disadvantaged. Virgil Madgearu resorted to statistical data comparing the exchanges made between Czechoslovakia, Romania, Hungary and Yugoslavia, on the one hand and Germany on the other hand, the advantage is clearly to Germany. State-equivalent exchanges between industrial and agricultural one has been analyzed also by Manoilescu, which reached the same conclusions on industrial policy of the country reagrarianisation. Werner Sombart, in *Zukunft des Kapitalismus* says: We strive to raise our rural population from the 30%, which fell to the level of the census of 1882, i.e. 42.5%. These 12.5% which would increase our population would correspond to the number of unemployed in the future the economic reasons for reagrarianism were:

- Ensuring the equity of the trade balance;
- The need to strengthen the home market;
- Greater resistance to a national economy;

Virgil Madgearu had its own point of view, considering those not economic reasons underlying the policy of reagrarianisation counted, but the "national, demographic and even irrational ones. Reagrarianism was the tool of autarky. A complete autarky for a large industrial state that could not be deprived of the raw materials or colonial products lacking [...]the possibilities of reagrarianisation of the industrial countries are limited to circumstances of the natural order. Agriculture is conditioned by climate and soil. "This does not happen in the industry that depends on the diligence, discipline and workers' skills and on the ingenuity and talent of organization and the rapid capacity of enterprises traders and technicians." Reagrarianization brought great disadvantages to the agrarian countries that could no longer sell their products because of the excessive price decrease. To change this state of affairs Virgil Madgearu proposed

- Restoration of the world economy and restored natural rights of free movement of goods;
- An appropriate system of economic cooperation to promote global economic rationalization;
- Building regional self-sufficient economic blocs;
- Streamlining the exchange of surplus production on the world market.

According to his conception regarding agricultural management, capitalism as a world economic system, bypassed the broad mass of farms by capitalist organization of production bases, but the commercial unit, putting the whole being of farms commandments and pulling the capitalist market cottage job gains added value in the commercial form. Romania was in a position of inferiority towards the developed Western Europe (Revista pentru știință și reformă socială, 1936). In Romania, monopolistic capitalism grew stronger banking industry, while rural credit, and although there were lots of popular banks, was far from satisfying all the needs of agriculture. Madgearu appreciated also that the peasantry was still in training and the proletariat was both numerically and in terms of class consciousness in a lower situation. In this case there was a political imbalance that made Romania to cross a crisis of civilization (Madgearu, 1925) the need of Romanian capital required to find appropriate solutions:

- Continuous and progressive increase of Romanian agricultural income;
- The application of a program of rationalization of the agricultural production and the device of circulation and credit;
- The development of cooperatives;
- Reorganizing agriculture;
- The increase of efficiency in agriculture leading to increasing real incomes of farmers (Toronțiu, (1937).

The yield of agriculture to be done by merging, breaking off in succession, the development of stations of tractors and agricultural machinery, the generalization of selection seeds and working methods appropriate to the industrialization of agricultural products etc. (Madgearu, 1995).

4. INDUSTRIAL MANAGEMENT

At the end of the First World War, Romania was beginning a new era and had a chance to develop a national economy, to exploit the natural resources available (*Independența economică*, 1922). Although he considered the development of heavy industry, Virgil Madgearu, criticized the Mining Law of 1924, and was among advocates of economic nationalism, showing that the state must take action in favor of preserving and developing Romanian middle class in industry and commerce. Strengthening the Romanian national crafts in the peasant agrarian social structure of our country was a national demand (Toronțiu, 1937). Thus he proposed the following solutions:

- Facilitating the modernization of equipment and technical workshops
- Cheap loans
- Supplies on favorable terms
- The organization of distributing goods on the cooperative basis etc.

Regarding the management of the State autonomous administrations the following provisions: must be taken into account:

- Justify investment income and mandatory provisions for depreciation in the expense budgets
- Establishing relationships of financial autonomy between autonomous monopolies and state;
- Assuming and performing revenue and expenditure operations
- The application of budgets to be made according to the rules approved by the Ministry of Finance;
- Effective credit policy;
- The creation of a special status of the staff of monopolies
- Bonuses for production as a means of stimulating employment etc.

To face foreign firm's competition he advocated a quality education capable of forming elite of researchers to assess scientific work as a vocation and contribute on a large scale to scientific and technical progress (Toronțiu, 1937). Education must meet the needs of the economic life for this reason it was necessary to prepare traders, craftsmen and skilled workers, and the employers had to financially support vocational education. For better management of resources and the development of economic policies in Romania Virgil Madgearu identifies eight industrial regions: Prahova valley region; Resita region; Turda region; Baia Mare region; Ferdinand and Nădlac region, Hunedoara region; Cisnădie region and Piatra Neamt region (Madgearu, 1995).

5. CONCLUSIONS

In the first half of the twentieth century, Romania experienced a real process of industrialization, determined by the wealth of resources available, a process that has been slowed down due to insufficient capital, the situation sometimes unfavorable on the world market and protectionist policies developed by the developed countries. The elite economists who studied in Germany, including Virgil Madgearu, helped clarify some social and economic problems on how to modernize Romania, many of which remain valid today.

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