

GENERAL UNION OF INDUSTRIALISTS OF ROMANIA AND THE MANAGEMENT IN INDUSTRY

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Abstract

General Union of Industrialists of Romania (AGIR) was a representative institution which aimed to support Romanian industrialists in the country's economic development. The Romanian economy had reached a certain level, the current favorable to the industrialization had also penetrated here, given the fact that Romania had huge resources, warning a number of foreign investors. A group of industrialists, almost all educated in the West, understood to develop the most diverse industries, particularly those related to a specific tradition, given the diversity of raw materials for safekeeping. The political struggle, carried out to promote the industry, was not devoid of contradictions between the „agrarians”, who considered Romania a country eminently agricultural, on the one hand, and the promoters of industrialization, on the other hand. Industry superiority eventually defeated the former. In 1938, the year of peak economy, Romania had an industry that had come to equal, in terms of the share of the national income, agriculture.

Keywords: Capital, Industrialists, Protectionist custom tariff, Minimum tax, Quotas.

1. INTRODUCTION

The process of forming industry in Romania was slow, determined by the specific historical conditions existing, due primarily to foreign domination that was maintained until the last quarter of the 19th century, when Romania managed to gain independence. Industrial workshops improperly known as factories had been represented, long before, by the glass and paper mills of the Prince of Wallachia Matei Basarab (1632-1654), cloth factories at Bălteni and Pociovaliște etc.

About industrial policy in the true sense of the word we can speak after 1877, more specifically after 1886, the year of expiry of the commercial Convention with Austro-Hungary, which eliminated customs duties, a fact which has led not only to the sluggish development of the industry, but also to bankruptcy in its infancy. This trade agreement has had a positive role in attracting the attention of those interested in this field over the disadvantages of a wrong policy. This caused the Romanian Parliament to vote „the law for general measures to help domestic industry” (Official Gazette, 1887). The law was promulgated by King Carol I on 12, May 1887. The conditions for industry development had been created. Only those

wishing to operate in this area were to take the initiative and have the capital required to set up an industrial unit. This was not without inconvenience, which led, ultimately, to a group of industrialists in Bucharest to launch in May of 1890, a call for Union for the defense of „the future of nascent industry” (Staicovici, 1929). It reached the conclusion that „individual initiative remains in some matters, all without effect, while a company legally set up is always working more successfully” (Staicovici, 1929: 3).

The year 1886 is considered the beginning of the Romanian industry (National Archives, UGIR Fund file, 1926: 57).

A fervent advocate of industrialization was the economist P. S. Aurelian, Professor and member of the Romanian Academy, which, during the 1886-1887 also occupied the position of Prime Minister. Among the industrialists interested in the industrial policy were G. G. Assan, the owner of Assan Mills and several bakeries; D. M. Bragadiru, the owner of some breweries and spirits, M. Th. Mandrea, the owner of the shoe factory „Leon and Mandrea” St. Ioanid, T. Nica, Carol and Rudolf Opller. Those mentioned had a meeting at the headquarters of the Chamber of Commerce and Industry in Bucharest on 22, May 1890 and decided the foundation of „The Society of Industry” which, two years later, would change its name into „The Association of Industrialists”.

2. THE ACTIVITY OF GENERAL UNION OF INDUSTRIALISTS OF ROMANIA (UGIR)

General Union of Industrialists of Romania was established after more than a decade, in 1903, but not having a special law, being, at the beginning, more a professional association which aimed to play the role of protecting the interests of the national economy and fostering its development, according to the general economic interests of the country (art. 2 of the statutes of the U.G.I.R.) but it was recognized as a legal entity only in 1913, through the work of the Minister of trade and industry Nicholas D. Xenopol, following the promulgation of the law 4205/13 (May 1913) by Royal Decree. This delay of recognition of U.G.I.R. was due, partly, to the lack of cohesion of the industrialists, but also to the quite slow evolution of this important sector of the economy. Capitalizing on the upper part of the riches of the country had become a target for most industrialists. In their work they had faced the competition from foreign goods, the lack of capital and labor made of Romanian workers. It is a period of searching, understanding of the economic phenomena and finding the appropriate solutions for the issues to be solved by the industrialists who had become members of the U.G.I.R., many of the industrialists being politicians.

After World War I, through the affiliation of the industrialists of Transylvania, Banat, Bukovina and Bessarabia, the role of this institution was growing, around it orbiting the other organizations of the big industries. U.G.I.R., often made interventions in order to obtain favorable laws of development, fought

for imposing and accepting its point of view in the direction of the economic policy of Romania. Rebuilding after the war of the industry of the Old Kingdom lasted, broadly, until 1924, while the industry in Banat and Transylvania was less affected, but it felt an arrearage in terms of technological equipment. In this regard, there was the problem of obtaining the necessary capital. It was criticized that State policy mixed in „adjusting production and fixing pricing, thus committing the gravest error of economic conception. Freedom of manufacturing, freedom in the marketing of products, this is necessary in order to enhance production” (U.G.I.R. Report on the 1923: 4).

The fuel crisis had been felt acutely in this period. In Romania, as well as in other Countries they were seeking solutions to overcome it. In Germany the Thissen Company became a showcase for the Romanian industrialists. The company had leased for more lignite mines in Canada and obtained, through special methods, outstanding results. The situation in Romania was different, having sufficient resources, U.G.I.R. made proposals either to send specialists to Germany, or to import the patents from that country. This required the support of the Ministry of Industry and Trade (U.G.I.R. Report on the 1923: 6). The Union was concerned with the manner in which they expropriated the woods in order not to affect the timber industry. Its argument is objective; in this industry they had invested large sums of money and they appreciated that if the government had not intervened to stop the export, this industry, alone, would have turned the balance from deficit to surplus.

The industrialization of soil produces was also considered a priority. Raw materials and agricultural produces were in abundance and could be produced in much larger quantities without the state intervention. Legislation was needed to give confidence to those who wanted to invest. In terms of industrial production, they demanded „freedom of production and liberty in marketing products” (U.G.I.R. Report on the 1923: 7). Capital and credit problem could be solved by the establishment of an industrial credit and increasing the role of the national capital. The population, which lacked the funds to do so, was not yet ready to buy fixed-interest bonds issued by the Industrial Credit and consequently, the National Bank and the State had to come in the support of the development of industry. Under these circumstances, the State became the main capitalist, but it should not be overlooked that the State itself asked for financial support. It remained to the industrialist’s ability to make it possible to exit from this vicious circle. The absence of a policy of attracting foreign capital has deprived Romania of quite important resources, slowing down the pace of its recovery. The national capital focused only to a lesser extent to industry.

In terms of leaders (managers) of the industry, the Union aimed „to organize outlets”, to be acquainted with the selling markets, being interested in how they could defend and preserve the domestic market from similar foreign products. The customs duties had proved insufficient, and the example of Poland

and Czechoslovakia, which had made „enormous sacrifices, to push their products to export” (U.G.I.R. Report on the 1923: 12), was relevant to the Romanian industrialists.

Higher Customs Commission had drawn up a detailed tariff to be presented to the Ministry of Trade and Industry and the Ministry of Finance, in order to close up the final tariff. Delayed completion of this tariff regulation annoyed the Union. „While we work (at this rate, o.n.), foreign exports of industrial products flood our markets with foreign goods, and succeeded, here and there, to cause even some protests of some commercial organizations, fortunately sparse, which instead of being with us to claim to protect the national labor, object against any increase of the customs tariff, well understood because living is not burdened” (U.G.I.R. Report on the 1923: 13).

Worried about the disastrous effects that they may have to postpone the new customs tariff, industrialists argued. „Ought we are that at least what we inherited not to throw away. We ought to keep if we do not dare to multiply” (U.G.I.R. Report on the 1923: 13). They speak strongly about the elaboration of a new law to encourage industry, the old law failing to produce its effects. They want to encourage exports by granting export, bonuses, protectionist agreements and transport tariffs.

They also called for reducing customs duties on imported raw materials, the reduction of 45% in tariffs of railway transport for the encouraged industries. In the early years the fuel crisis was felt because of the devastation caused by the war and the double of the country's surface as a result of the realization of Greater Romania. Employers do not agree with some provisions of the new draft Labor Code, which governs the relationship between employers and employees, considering that it is „biased to workers” and hostile for industrialist. And other issues are discussed as well, as the standing of foreign specialists employed in the industry, the law on the Sunday rest, health law, the law of rent, tax laws, illegal fees imposed on industrial units by the local authorities, communal and county, etc.

After the Great Union (1918), the new development framework determines, in 1919, the Technical Council, newly established by the Government, to draw up a report to the Ministry of Public Works, offering solutions in the view to unify the administrative organization of the means of transport. It's a difficult period as a result of the devastation caused by the war and finding the most optimal solutions for the recovery of the economy. It supports the idea that the industry must obtain the support of the public bodies „in order to create the right conditions in relation to meeting the role of what it has accomplished in the country's economy” (National Archives, 1926: 58). The Journals of the Council of Ministers make reference to ensuring the benefits of the law to encourage the companies of some industry. Limiting exports is attempted of raw materials needed for domestic production. An example in

this respect is the memoirs of tanners and carriers to the Ministry of Trade and Industry which require banning the export of the crude hides.

In 1922, some exemption from customs duty were obtained, the reduction of charges for transportation, providing the benefits of the law to encourage the industry branches of industrial production, raw material procurement, etc. Protectionist measures, protectionist customs tariffs, could meet, to a certain extent, the requirements of some part of the industry, but a general customs tariff was considered applied to all industrial products in the country. „Such a protectionist customs tariff, in agreement with the other interests of the national economy should be thoroughly studied and applied without (without much trumpet) and without stumble to form a real basis of proper settlements of the national industry and economic strength of the country” (National Archives, 1926: 59); and considering that social issues are closely linked to the productive activity, especially industrial activity. In terms of the taxes, they had to be fairly settled on the strength and value of production. An important role in industrial policy is that it must rest with the State. Another key issue was the scientific and rational organization of work following the model of other States.

In 1927, the principle of parity between employers and employees, the Law on the establishment and organization of the Chambers of Work was drawn up. “In 1932, this Act was repealed, setting a new regulation for the Chambers of Work by attending exclusively to its employees and craftsmen. Chambers of Work could but intervene unilaterally reducing the conflicts of work. The labor inspectors displeased the employers, who felt it as abusive. Triggering the great depression determined that at the meetings organized by UGIR representatives of small industries; agriculture, traders and even representatives of labor organizations were also invited. They had in view the achievement of an industrial programme; „the establishment of an economic policy based on the real needs of the country...” (National Archives Trust Fund UGIR. File 13, 1933). The crisis had not bypassed anyone. Overcoming the crisis, measures are expressed in the motion passed by the representatives of the industries on 1 March 1931. Among the desiderata of the industrialists they included: the imposition of the Higher Economic Council, to be a true economic Parliament, made up of officials, of representatives of the economic life, personalities from the field of agriculture, industrial, commercial, financial and labor. This body was to establish the economic policy and to oversee the entire activity. The Motion also called for the simplification of the social legislation, the revision of the entire tax system, the establishment of a tariff policy on rail transport, in line with the country's economic policy, measures for the improvement of the financial situation, etc. The year 1933 was particularly difficult for the world economy including Romania. Many statesmen had come to the conclusion that there were a number of interdependencies, that overcoming the crisis could not be achieved but only through international

cooperation „within the framework of the directives on which the most important States in the world would be called upon to give them for the guidance of the smaller States” (Mircea, n.d.: 4).

In the following years, the guiding rule was applied to economy in the most developed countries of the world. U.G.I.R. representatives made remarkable efforts to understand the problems of the global economy. During this time Italy materialized the ideas of a corporate economy, the overall activity of the State relying on a „classified and orderly action on the basis of the entire corporate group activities of the Italian people” (Mircea, n.d.: 5). Germany also applied corporatism, but here it had a much more nationalistic character than in Italy, the idea of race being seated „at the base of the State organization”, which, in its turn, subordinated to „the protection of the Germans, considered as a unit for coordination and guidance of the entire activity in Germany” (Mircea, n.d.: 5).

The guiding rule was also adopted by the U.S., building on previous experiences and measures taken by Wilson, Coolidge and Hoover. Wilson gave the United States a monetary credit system aimed at preventing credit crises, banking companies retreating, allowed control over the volume of business, the Federal Reserve System „based on the gold standard, entirely subject to the Government's impulses and initiatives.” The ensuing Presidents had taken other steps to encourage credit, measures that had had the effect of increasing speculation on the stock exchange, and finally the triggering of the Great Depression. If Wilson sought remedy through the action of the banks, Roosevelt „attacked the problem of disorder... in production” (Mircea, n.d.: 8). UGIR did not escape the attention of Soviet Russia economy either, that they considered, wrongly, a guided capitalism in which private initiative was supposed to gain more and more. Romanian industrialists were not followers of the guided rule and, when they had the opportunity, they expressed this position: „Our view is that we industrialists should make all the necessary efforts to stop, as long as there is time, the spread of this belief, the need for our country to a guided economy, as aware of it or not, those who advocate this system are partisans of the dictatorship. And we industrialists have to claim as an absolute necessity for our country a return, as soon as possible, to the economic freedom as the only way to guarantee, in a country like ours, political freedom” (Mircea, n.d.: 11).

UGIR activity aimed at „promoting and defending the interests of the domestic industry”. It was also proposed bringing some amendments to the law on social insurance, as opponents of tax law the industrialist claimed that the Government required the excise of luxury goods and turnover tax. A host of state abuses had been criticized for, which had demanded taxes on a range of raw materials that had been previously exempt, and also on electricity or the coal used in industrial units. The law of local taxes was criticized, imposing taxed on dwellings and on the movement of goods. Some exempts of the tax

burdens were obtained with the coming to the Ministry of Finance of the economist Victor Slăvescu. The minimum tax was lowered, as well as the income tax on buildings the private clerk's tax was abolished, the quotas imposed by the excise of the luxury goods and the turnover tax rates diminished, etc. UGIR considered that we were not able to speak of a normal economic activity without retaining the principle of free movement of goods, being against quotas, as a means of regulating taxes. It also recognized as being beneficial the imports quotas and intensifying export to the countries with which we had a trade balance deficit, the measures that came also to support the stability of the currency Leu. Other measures aimed at encouraging imports of raw materials, semi-finished products and some production tools. It was proposed to simplify the quota regime:

- to remove the raw materials, semi-finished products and machine tools that were imported in small quantities from the countries with which we had a trade balance surplus;
- to extend the quotas upon all manufactured products whose raw materials remain subject to quotas;
- to extend the quotas upon similar products manufactured in the country in order to avoid foreign currencies leaving the country.
- the goods subject to quotas were to be divided into three categories according to the importance they had for the economy:
 - first necessity goods (raw materials, semi finished products, tools, products which are not produced in the country, but which may be substituted with similar products made in the country, manufactured products of first necessity, made in the country, disposable products that are not produced in the country,
 - disposable goods;
 - luxury goods.

As regards the importation of machinery for setting up new factories or increase the production capacity of existing factories, import licences should be covered by a Special Commission, in which there were two representatives of the U.G.I.R.: „one of the metallurgical industries, which probably makes the respective machines and a representative of the industry in which the applicant belongs”.

In the request for the establishment of the new industrial units, sections on the quantity of raw material that had to be imported should not be missing.

In the application of the quota regime, a crucial role had been attributed the National Bank of Romania by limiting the amount of foreign currency. The U.G.I.R. wanted the Quota Service to switch to the Direction of the Industry. A new law proposed, the old law of industry encouragement did not tally with the existing realities. The new law was supposed to come out in support of the national industry „to defend it against all the trends which some party ideology shows them as being universal and foolproof panacea for the agriculture production that they set off to be industrial production” (Mircea, n.d.: 32). The law was supposed to eliminate these shortcomings and to create a favorable framework for the development of all branches of production. They called for the establishment of an Economic Council, composed of elected representatives of industry, trade, agriculture, finance, to rule over all the economic problems. „The advice of this Council to be mandatory and to always accompany the statement of reasons on which any law will be submitted to Parliament whose application could have an impact on the normal conduct of our economic life” (Mircea, n.d.: 35).

They discussed transport tariffs, State debts and credits for industries. The Industrial Credit, newly established, should have played an important role, but it did not exclude the loan from other banks, it represented „the last resource” given the fact that there was no other alternative.

The Director of U.G.I.R., Prof. C. I. Mircea, Deputy in the Romanian Parliament, took the stand against „State as industrialist and trader at the same time, the State controller and the recipient of the individual work of the country's industrialists. With a moment earlier, the State needs to do to end this anomaly. With a moment earlier, the State should get rid of all those bobbles that as autonomous administrations or State enterprises pushes, on the one hand, the State budget by huge amounts, which annually is spent for personal use and for investments ... which are detrimental to the good conduct of the national industry, in that each of these enterprises in the annual State budget absorbed huge amounts that we pay to make us fierce and unfair competition; added to this is the fact that State-owned enterprises to be imposed in all public tenders with prices always lower than the prices of private industrialists, and understanding very easily, why: these enterprises do not have any interest payable, depreciation of capital taken from the State budget and taxes not paid similar to other industrialists and it is indisputable that this competition becomes unfair” (Mircea, n.d.: 39).

The Romanian industrialists supported the Small Economic Entente activity, formed by Romania, Czechoslovakia and Yugoslavia, asking a deal to be made with the industrialists in these countries to share their own experience.

Romania's industrial policy was determined by the developments in the world economy. During this period the base production was agriculture. „But the needs of a great civilized State in the heart of Europe, as Romania is today, cannot be limited only to food policies. The urgent necessity to strengthen the foundations of our State and to make it withstand all the troubles create the necessary cultural, social and economic needs adjusted to the military and administrative order, which must be necessarily satisfied. And to be able to meet this imperative we must have an industry, able to satisfy, to the widest possible measure, our needs as a country and as individuals” (National Archives Trust Fund UGIR, report on the work of the Union in 1936: 11).

General Union of Industrialists of Romania is the most important field organization in the Interwar Romania that managed to gather around it almost all the big industrialists in the country, to coordinate the overall activity of the industry and beyond. This kneading and battle of ideas had created a general concept for the future development of the country. The natural course of development was, however, deviated by the Second World War and its aftermath.

3. CONCLUSIONS

In Romania, the return to capitalism has been done in a brutal manner, without institutions, without industry-employers in the true sense of the word and without proper coordination. The reinvention of bourgeois type institutions has been done from top to bottom, favoring the process of deindustrialization. The Union of the Industrialists of Romania (UGIR), in a bizarre way, was restored by a journalist and failed to coalesce around the progressive forces in the country. Knowledge of the past has not been done consistently, some considering it outdated, but the economy laws remain basically the same. However, few know that a part of the great industrialists outstanding, members of UGIR, founded the Academy of High Commercial and Industrial Studies in Bucharest, and Nicholas D. Xenopol created, in 1913 both institutions, by laws voted in Parliament.

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