Theoretical Frameworks and Conceptual Approaches to Economic Development in East and Central Europe
Romania – Case Study

Adina Dabu

Thesis submitted to the faculty of the Virginia Polytechnic Institute and State University
in partial fulfillment of the requirements for the degree of
Masters of Science
in
Sociology

Rachel Parker-Gwin, Chair
Theodore Fuller
Joyce Rothschild

September 6, 2002
Blacksburg, Virginia

Keywords: policy, ideas, agriculture, development

Copyright 2002, Adina Dabu
Theoretical Frameworks and Conceptual Approaches to Economic Development in East and Central Europe
Romania – Case Study

Adina Dabu

(ABSTRACT)

A constant problem for the Romanian policy makers over the last century has been how to shrink the country's agricultural sector and develop the industry and service sectors to reach a level comparable to that of more advanced economies. Romania tried to solve this problem with various policies based on and inspired by a set of sociological and economic views, theories and models. Those policies were only partially successful and today the problem of underdevelopment and unsatisfactory economic performance is still largely unsolved.

In the hypothesis of a rational policy making process the post 1989 agricultural reforms should have been informed by the lessons provided by both the pre-communist and communist periods. Taking this premise as a starting point, my study is constructed around the following hypothesis: If the policy process was a rational decision-making process, we would expect that the ideas, concepts, and theories that led to policy failure and mixed results in the past be rejected or correspondingly adjusted to the new context.

In order to test this hypothesis the study develops a twofold approach. First, it identifies the main sequences of ideas – policies – results – lessons that characterized each of the pre-communist, communist, and post-communist periods. Second, it compares the ideas, policies, and lessons that could have been drawn from past experiences in regard to agricultural development with the actual ideas and agricultural policies that have been implemented in the post-communist period. The comparison reveals the extent to which the rational decision making model was displayed.
CONTENTS

INTRODUCTION............................................................................................................................................. 1


CHAPTER 2 - THE PRE-COMMUNIST PERIOD (1864 – 1945): From land redistribution to the collectivization of land: agriculture between the creation of market institutions and the planned economy organization ........................................................................................................ 24

CHAPTER 3 - THE COMMUNIST PERIOD (1945-1989): The Collectivization of Agriculture: From Small Peasant Holdings to Large-Scale State and Collective Farms................................. 42

CONCLUSIONS............................................................................................................................................. 53

BIBLIOGRAPHY............................................................................................................................................. 61
LIST OF TABLES

1.1 The evolution of the organization of the private farming sector 1993-1999…………….13

1.2 Land property titles (p.t.) issued between 1991–1999…………………………………….15

2.1 Land distribution per historical regions and categories of peasants, according to the 1864 Agrarian Law………………………………………………………………………………….26

2.2 The share of land properties leased according to their size at the beginning of the 20th century………………………………………………………………………………………………….30

2.3 Agricultural land and population in Romania in the period 1860-1915……………………31

2.4 The structure of peasants’ holdings according to the land area at the beginning of the 20th century……………………………………………………………………………………….32

2.5 Farm size structure in Romania according to the 1930 Rural Census……………………33

2.6 The evolution of price indices of agricultural and industrial products and of industrial products required by agriculture for selected years……………………………………………………………35

2.7 The weight of Romania’s main export products in the total exports for selected years……35

2.8 Structure of Land Ownership by Size, 1948………………………………………………….40

3.1 Share of agriculture in total employment, 1989 - selected countries…………………….50

3.2 Agricultural labor productivity - selected countries…………………………………………51

4.1 Ideas, Theories, Policies, and Lessons - The Pre-Communist Period (1864-1948)………57

4.2 Ideas, Theories, Policies, and Lessons - The Communist Period (1948-1989)……………58
During the last decade scholars have demonstrated a renewed interest in studying the role of ideas in social and economic change. This resurgence has been driven by an increasing discontent with causal models explaining policy-making and policy-output in terms of interests and power and has led to a re-examination of institutional and ideational factors as possible explanatory alternatives. Ideational factors have been put forward in political sociology, economic sociology, international relations, neo-institutionalism, comparative politics, and in policy studies dealing with policy learning and policy-shifts. This has resulted in different approaches to the role of ideas in social processes and to a general re-focusing of many research programs on the explanatory power of ideas in areas such as social change, social and economic development, and policy-making (North 1990; Goldstein and Keohane, 1993; Arthur 1997).

The literature highlights three main explanations of this resurrection of interest in ideational factors in social sciences. One of the most mentioned is that the existing political economy and political sociology power- and interest-based models have proven increasingly unable to explain satisfactorily variations in policy output and outcomes (Jacobsen 1995). In other words, it is suggested that the explanatory power of these models has been exhausted. Another explanation links the resurgence of the theoretical interest in the role of ideas to changes in the real world. Several authors interested in the sociology of policy processes have noticed a shift in policy-making induced by the growing complexity of policy development and the rising number of global problems policy-makers have to face nowadays (Haas 1992; Jacobsen 1995). The point is that conflictual policies are increasingly replaced by policies based on deliberation and cooperative attitudes of the social actors. The focus on deliberation, negotiation and bargaining of social actors embedded in specific social systems and structures produced a scholarly interest in arguments, common belief systems, rationalizations, and persuasion involved in the sociology of policy processes. Third, the growing complexity and uncertainty with regard to policy-outcomes introduced by global societies favored the delegation of political decision-making to knowledge-based and technocratic expert groups, often representing “epistemic communities” with particular ideas about policy solutions (Haas, 1992). Thus the role that technocratic bodies and their ideas play in policy-making has become one of the major foci in recent policy studies and obviously these three explanations are not mutually exclusive.

To sum up, deficits in existing interest-based policy-models, real world changes in policy-making, and the increasing complexity of policy making induced by globalization stimulate the search for a more detailed account of ideas as an explanatory variable. As a response to these recent evolutions several alternative solutions, inspired by older paradigms resurfaced, among them, a dynamic program of assessing the role of ideas in political institutions (Hall, 1989) and/or the interplay of ideas and institutions (Goldstein and Keohane 1993, Weingast 1995; Ostrom 1997).

Nevertheless the implications of this literature for the systematic understanding of the role of ideas in politics and for the revision of our theories remain to be developed. This is
especially true about the extension of this literature and its approach to the very process that preceded and followed the collapse of the communist system and the transition process in Eastern Europe. Despite impressive new evidence on the role of ideas in the rise and fall of the communist system and the general resurgence of interest in the role of ideas in politics and society, it is surprising that there is no systematic treatment of the problem of the specific role of ideas in the transition literature as this literature lacks a unified, coherent attempt to isolate the ideational factor and analyze its role in the unprecedented historical social change process represented by the evolutions in Eastern Europe. This study is a contribution to an emerging research agenda that is focused on precisely this missing element of the transition literature (Wagener 1998; Tismaneanu 1998)

Today the Transition literature is anything but unilateral, reductionist, or monolithic. As a result in the field there is a wide consensus that material factors (e.g., technological decline/change), interests (bureaucracies, nomenklatura), ideas ("new thinking;" western liberalism; new views of human rights), institutions (Soviet party rule, planned economy); international institutions (EU, IMF), states, personalities, and a good dose of historical contingency, all "mattered" in the Transition process. The problem is that while other factors got their share of independent and systematic analysis, ideational factors although widely referred to, have never had a thorough and autonomous treatment. Hence, a broader task is to isolate and discuss productively the contribution ideas had in this complex outcome, to make the most of the large existing literature, to condense a vast topic and to extract and articulate into a unified framework the knowledge gained up to this point on the ideational factor in Transition.

The complexity of the task is evident and a mere overview of only a part of the questions and problems that could be articulated once this ideas-related research area is defined is daunting: To what extent were the Transition and the views on Transition policies shaped and changed in response to structural needs as opposed to persuasion and beliefs? Did the ideas matter instrumentally or substantively? What are the implications of the economic reform ideas for the way the post-communist system evolved in Transition? Did the policies argued by reformers reflect their interests or were they communicating and arguing at the level of ideas themselves, wrestling with their inherent ideological interconnections, and then thinking through their policy implications? To what extent were the reformers aware of, and concerned with, old ideas as constituting real obstacles to policy change? Were the old ideas essentially political deadwood that could be easily swept away once the political battle had been won, or were they actual barriers to the conceptualization, communication, and implementation of new policies? How do specific policy doctrines or policy paradigms become feasible in the reform policymaking process? How can we conceptualize the interrelationship between interests, ideas and institutions in policy-making? How and why are policy paradigms replaced? How are cognitive maps and scripts structuring the attitudes, interpretations and choices of policy-makers? Do ideas develop a dynamic of their own? These are only a small part of the vast array of problems that could be articulated once this research area is defined.

The complexity of the ideas problematique in the study of Transition is further increased by the challenge to formulate answers that move beyond a simplistic "ideas versus material factors" debate. If the goal is to sharpen our insight on the complex relationships between ideas and material, political, individual, and institutional factors in accounting for Transition on the basis of a clear understanding of ideas as critical irreducible factors in themselves, then the difficulty of the task is exponentially amplified. Addressing this challenge requires a combination of detailed historical research ("process-tracing"), conceptual clarity, a good grasp
of theoretical models and frameworks and a substantial familiarity with their intellectual history of political and economic theory.

Given the huge research agenda that could be defined by this problematique, this study is articulating its goals in an unpresumptuous way as an exploratory contribution to the initial stages of this vast research agenda. The study will focus on one country (Romania) and will identify one specific area of ideas impact (the agrarian economic policies). The study will be exploring a conceptual area defined by questions such as: Is there a lesson learned from the communist experiment as regarding policy design and concepts and ideas in the field of agrarian reform and policies? Has that lesson been incorporated in the post 1989 policies? Have the post-communist policy designers learned something from the pre 1945 policy experiments? Are the transition and reform reflecting a learning process as regarding agrarian policy ideas? More precisely the study will have two basic objectives: (a) to go beyond of the general discussion about whether "ideas matter or not" and to explore in a concrete way the position ideas and rational learning - understood as policy-making informed by previous policy experiences - have in a particular area of post-communist policy making and (b) while doing that to test using the case in question the hypothesis of a rational hard core of policy making defined in terms of ideas learning - an implicit hypothesis in many ideas-oriented frameworks and studies.

Definitions and Conceptual Clarifications

Ideas and “the role of ideas” are common sense concepts, useful as bases for primary intuitions regarding policy but not sharp enough to become basic building blocks for a large-scale empirical research program. Therefore their translation into a more precise theoretical language is a precondition of any productive research in this area. With this end in view it is important to take as a starting point the key distinction between three ideal types of “ideas”: world views, principled beliefs and causal beliefs (Goldstein and Keohane 1993).

**World views** are the most fundamental form of ideas. They define the universe of possibilities for action both from an ontological and a normative perspective. They are embedded in the symbolism of culture and they deeply affect the modes of thought and discourse. **Principled beliefs** consist of normative ideas that specify criteria for distinguishing right from wrong and just from unjust. They are issue specific (e.g. slavery is wrong, inflation is theft, etc.) and they are *sui generis* (although they are often justified in terms of world views, the world views are too broad and could back the opposite justification too.) **Causal beliefs** are beliefs about cause and effect relationships and they provide guides on how to achieve objectives or strategies for the attainment of goals that are valued because of shared principled beliefs. They are also known as “operational codes” (Goldstein and Keohane 1993).

In order to achieve operational feasibility the project will limit its focus to a set of ideas ruling the decision-making in a *specific policy-area*: that is on the so called “issue-area doctrines” or “policy paradigms”. Therefore this project focuses on a form of ideas that has at its core *causal beliefs*. Among the large class of causal beliefs, the project is interested in the causal beliefs regarding the operation of the agrarian economy and the agrarian work system and the ways that that operation should be reformed or improved in function of a set of implicit principled beliefs. These are theories and frameworks regarding economic development in agrarian countries.

More precisely the study will be focused on the agrarian reform policy paradigms in South Eastern Europe and more exactly in Romania from mid 19th century to present. The
analysis will define a policy paradigm as an overarching set of ideas, theoretical frameworks and conceptual approaches that specify how the developmental problems facing the area are to be perceived, which goals might be attained through policy and what sorts of techniques can be used to reach those goals. Policy paradigms structure the very way in which policy-makers see the world and their role within. (Hall 1989). These ideas help to order the world-view of the policy-makers, their understanding of the key problems and of the solutions in the specific area of agrarian work systems. By ordering and defining the situation, policy paradigms shape agendas, which can profoundly shape outcomes. At the most basic level, they determine which of many means will be used to reach desired policy goals and guide behavior by postulating causal patterns and providing compelling ethical or moral motivations for action. To sum up, the "ideas" this study is interested in will be defined as issue-area doctrines or policy paradigms influencing the perception and choice of policy-makers in the specific agrarian reform area. Their working definition for the purpose of this study will be the overarching set of theoretical and conceptual economic and sociological ideas that specify how the agrarian problems are to be perceived, which goals might be attained through policy and what sorts of techniques can be used to reach those goals; thus they structure the very way in which policy-makers see the economic reality and their role within.

In other words, in the context of this study the link between ideas, in the narrow sense of “causal beliefs” (i.e. beliefs about cause-effect relationships in the realm of agricultural development), and rational learning is definitional. Rational learning is defined as conscientious relationship with past experiences, and in this sense rational learning generates causal relationships. Or, put otherwise, implicit in the definition of causal beliefs is the idea that they are based in a rational learning process.

Methodological Approach

Given that nearly everyone in the field of social sciences agrees that nearly everything "matters" to some extent, (including “ideas”) the real problem is to determine how ideas matter in social change. The most fundamental point that should be recognized in this respect is that a search for a universal account of the causal weight assigned to ideas is absurd. Indeed research on this line makes sense only in the context of a specific process tracing and careful contextual and configurational analysis over very concrete historical situations and cases, doubled sometimes by counterfactual analysis. This is the sole meaningful way to engage into the clarification of such causal claims.

The epistemological implication of this reality for this study is that the approach to the role of ideas assumed here is an attempt to equilibrate different methodologies and approaches and develop a pluralistic approach that rejects simple notions of causality and reductionist explanations. Given that the study is based on the premises that the conceptual framework available about the social problem at issue influences the way decision makers define the interest at stake and determine social actors’ behavior and expectations (Haas 1990: 9), the foremost analytical task emerging is to capture and reflect the notions of causation as delineated by theoretical frameworks assumed in the minds of the decision makers. Therefore, it should be noted that the entire theoretical approach of this study is strongly influenced by the specific nature of its key topic: ideas. The problem is that studies of the role of ideas must explore or elaborate upon what is in people’s heads: their conceptions of what is true, reflecting their own attempt to create meaning in their actions and lives. Even in the scientific field there are
different competing views and paradigms. Thus such studies present a host of methodological difficulties. The students of ideas must engage in attempts of verstehen, the interpretation of meaning through empathetic understanding and by the exploration of actions and artifacts embodying and reflecting those ideas. As a consequence, this project has to reconcile the demand for systematic social science with the recognition of the role of interpretation and adopt a method of inquiry that combines both description and causal inference (King, Keohane and Verba 1994).

Analytical Approach, Hypotheses and the Structure of the Study

Policy experiments (reforms) can be regarded as sequences of coordinated actions that are guided by a set of ideas or “strategic notions” (Tomich, Kilby and Johnson, 1995) in order to generate the desired policy consequences. The set of expected, and often-unexpected policy consequences can be ultimately regarded as lessons that might further inspire and guide new policy experiments.

The present study analyzes the transition reforms that took place in Romanian agriculture after 1989 from the perspective of more than a century of experiments in agricultural policy-making. It will be argued that the post-1989 reforms did not represent totally new policy experiments. In fact, they have been preceded in Romania by three other major periods of agrarian reform-policies: a first wave of policies between 1864 and 1921, followed by another one from 1921 to 1945 (which for convenience will be both referred to as the pre-communist period) and the 1945-1989 policy period which I will refer to as the communist period (or the period of planned agriculture).

During both the pre-communist and the communist periods the Romanian policy makers struggled to define and redefine the core models and strategies that would put an end to the social and economic backwardness specific to an agrarian country like Romania. Their policy solutions were very diverse and as one would expect they often diverged. This diversity was contingent upon the historical context in which the policies were implemented, the currents of thought to which the policy makers were attached by education or chance, and last but not least by the extent to which the free circulation of ideas was accepted under different political regimes. From this standpoint, the pre-communist period had a much more diverse intellectual elite that debated often from opposing theoretical standpoints what needed to be done or what was possible to do in order to escape backwardness (Love 1998). By contrast, the communist period was much more homogenous in terms of ideas about development in general and the role of agriculture in development in particular, and strictly constrained in its policy choices. In spite of that, it allowed for a limited participation in the circulation of ideas about development as defined or filtered in the Soviet Union’s space of influence. The Council for Mutual Economic Assistance (CMEA) contributed to the diffusion of these ideas among the member countries.

The abandonment of planned agriculture after 1989 opened up the possibility for a renewed interest in the ideas, theories and paradigms of development and the role of agriculture in the Romanian economic and social context. Moreover, the period represented a major opportunity window for a strategic shift in agrarian policy, of the sort that are “few and far between”, free of ideological limitations and unconstrained by a unique party hegemony of action. In this context the broad question this study will address is to what extent the post 1989 agrarian reforms have been influenced by the policy experiences of the previous periods? More specifically, can we speak of a policy learning process in the post 1989 agrarian reforms? Did,
as authors such as T. P. Tomich, P. Kilby, and B. F. Johnson would expect, the “catastrophic
learning experiences” of the past, force the leading ideas or strategic notions to change in the
new context? Were the policymakers able to set adequate priorities and sort through the
abundance of possible strategic notions so as to match the historical opportunity window with the
right policies? Put otherwise, the stronghold of the study is an attempt to evaluate the effect of
ideas, in the narrowly defined sense of causal beliefs (or beliefs about cause-effect relationship),
on the agrarian reforms of the post-1989 period.

Before proceeding to an overview of the analytical structure of the study, a brief note on
the definition of rational policy-making needs to be made. I have chosen a strong definition of
policy-making rationality, by which I mean that a rational policy process necessarily
incorporates some key concepts and ideas (i.e. reflects a prior process of descriptive inferences)
that are linked by a causal mechanism or set of causal inferences, which are informed and
formed on the basis of past experiences. Moreover, policy-making is a strategically oriented
process, that is, the rationality of policy-making depends on both the rationality of the goal to be
reached and of the process/mechanism by which the goal is achieved. In other words, the core of
policy-making, rationality stays as a learning process.

Implicit in this definition is a concentric view of rationality with a core defined in terms
of ideas about causal relationships and policy learning processes and an external belt or
periphery sensitive to other strategic considerations related to interest groups, structural
constraints, and historical contingencies. In spite of the fact that when testing the above
hypothesis the strong definition of policy-making rationality will be used, I am aware that in fact,
there is a spectrum of rationality with differences in degree and not in its nature. The “external
belt” rationality of policy implementation will be abundantly instantiated in the following
chapters. This study sides with positions such as those formulated by Timmer (1998) arguing
that when markets are not the sole resource distributors – and in development processes they
often are not - and policy makers intervene in the process of resource allocation, ideas start to
matter because the framework of constraints and objectives in which the policy makers’ act is
itself “ultimately conditioned by the prevailing academic understanding of how economic growth

It has already been mentioned that in the hypothesis of a rational policy making process
and under the definition of “rationality” given above, the post 1989 agricultural reform should
have been informed by the lessons provided by both the pre-communist and communist periods.
Therefore my study will be constructed around the following hypothesis: If the policy process
was a rational decision-making process, we would expect that the ideas, concepts, and theories
that led to policy failure and mixed results in the past be rejected or correspondingly adjusted to
the new context.

Consequently, in order to test this hypothesis I will develop a twofold approach in the
analysis: First, I will identify the main sequences of ideas – policies – results – lessons that
characterized each of the pre-communist, communist, and post-communist periods. Second, I
will compare the ideas, policies, and lessons that could have been drawn from past experiences
in regard to agricultural development with the actual ideas and agricultural policies that have
been implemented in the post-communist period. The comparison will reveal the extent to which
the rational decision making model was displayed. In order to make this comparison operational
the research design will proceed along the following lines:
The key post-communist legislation regarding agriculture that was passed after 1989 will be identified. By the detailed analysis of this body of legislation and of one of the most comprehensive reports on agriculture issued by the Ministry of Agriculture and Food in Romania in 1999-2000, the dominant agricultural policy paradigm of the period, the key ideas that were behind it, and the main consequences that followed for agriculture will be distinguished.

The major agricultural reform policies in the pre-communist and communist periods (1864-1948 and 1948-1989) and the basic concepts and theories that informed each of them will be documented. Thereafter, an overview of the economic, sociological and structural consequences of these ideas and policies will be provided and will pinpoint the main lessons that could be eventually derived by looking in retrospect to each of the periods.

In accordance with these objectives my study proceeds as follows. In chapter 1 I outline the Romanian reform legislation between 1989-2000 and, in line with point one above, use this legislation as a vehicle to reveal the key ideas, policies and consequences for agricultural development in the last, post-communist decade. Chapter 2 and 3 fulfill the objectives stated in point two above. More precisely, in chapter 2 I start by looking at the policy reforms in the pre-communist period, while in parallel outlining the main ideas, policies, consequences, and lessons of the period. Similarly, in chapter 3 I describe the main policy reforms of the communist period and I pay special attention to the lessons that could have been drawn from this period’s policies and their consequences. In the conclusion I wrap up the analysis and discuss the extent to which the study’s main hypothesis has been supported or confirmed. I test the rational policy-making hypothesis only against the post 1989 period partly because during the pre-communist period the conceptual framework for the study of agricultural development was only starting to develop, and partly because, as will be shown, during the communist period rational learning in policy-making was very limited and blocked by the political structure itself. The rest of this introductory chapter will briefly address the importance of the agrarian problem for the Romanian case and the relevance of a case study on Romania for the research question at issue.

The Romanian Case

Romania is still described from both the sociological and economic standpoints as a country with a large agricultural sector. Due to the specific nature of the structure of its economy and society Romania encountered a series of specific problems in its process of social and economic development, a process that began in the mid 19th century. A constant problem for the Romanian policy makers over the last century has been how to shrink the country's agricultural sector and develop the industry and service sectors to reach a level comparable to that of more advanced economies. Romania tried to solve this problem with various policies based on and inspired by a set of sociological and economic views, theories and models. Those policies were only partially successful and today the problem of underdevelopment and unsatisfactory economic performance is still largely unsolved.

This study takes as a starting point the socio-economic problems facing Romania after the radical changes toward democracy and a market economy began at the end of 1989. It also has an explicit historical dimension, taking clearly into account the evolution of the phenomenon in time by giving special attention to the evolution of the rural sector from the perspective of more than a century. In fact as the research will show, the search for the past experiences with agricultural development in Romania is motivated by the problems of the present, and the way
the same types of problems were approached in the past is extremely important for both the understanding of the present situation and its potential solutions.

Romania's evolution could be described as a process of late development in a country in which agriculture still represents the most important sector in terms of employed population even if it no longer ranks first as a contributor to the GDP. At the end of 1997 36.8% of the active labor force was employed in agriculture, while 45% of the population lived in rural areas by the end of the same year (Romanian Statistical Yearbook, 1998). However, agriculture’s contribution to the GDP was of 18.8% at the end of 1998 (The Economist Intelligence Unit, 1998).

The evolution of what was called the Agrarian Problem (chestiunea agrara) in Romania consists of four major periods: 1) 1864-1921, 2) 1921-1945, 3) 1945-1989, and 4) after 1989. This periodization corresponds to key shifting points in the history of agrarian reforms in Romania. In the classic "The Land and the Peasant in Romania" (1968), David Mitrany outlines the main land laws that had been enacted in Romania in the period of 1864-1917 and their socio-economic consequences. The first land redistribution for the peasants in 1864 marked the beginning of the end of feudal relationships in agriculture and opened the new era of the peasants’ emancipation. However, this first major redistribution of land from the large landlords (boieri) toward the peasants was largely incomplete and had many negative, partly unforeseeable consequences for the peasantry. Several other successive land reforms have been tried during this first period under the threat of peasants’ revolts, the influence of progressive intellectuals, often boyars themselves or under the pressure of international events such as the First World War.

The inter-war period, analyzed in detail by Henry Roberts in "Rumania - Political Problems of an Agrarian State" (1951), featured a variety of industrial and agrarian policies aimed to boost the modernization of the country. Regarding agriculture, the period debuted with the second major land redistribution toward the peasants in Romanian history introduced through the Agrarian Reform Laws of 1921 at the end of the First World War. In general, from a political point of view the entire period was largely unstable, with several cabinets succeeding each other for short periods of time and with two distinct dictatorial regimes [the King Carol II dictatorship (1938-1940) followed by the Fascist period (1940-1944)] coming to power. However, in spite of the internal and international political and economic instability several agrarian reforms were enacted and the number of studies on the rural sector problems grew both in number and quality revealing the awareness of the Romanian policy makers and social scientists in respect to the importance of agriculture's modernization for the country's overall development (Roberts 1951; Love 1996).

As everywhere else in the Central and East European countries, the post-war era begun in the Romanian agriculture with a new land reform initiated in 1945, at the end of WWII, by the first communist regime in the country’s history – the Groza government. It resulted in an extremely fragmented land structure, with holdings of less than 5 hectares constituting roughly 75% of all holdings of arable land (Brooks and Meurs 1994). Albeit, conducted by a Communist government, this land reform resembled rather the policy solutions tried in the inter-war period. However, the main aim of the reform was to gain the initial support of the peasants for the Communists (Mitrany 1951; Roberts 1951). It was followed by forced collectivization – this time distinctively shaped by the Communist policy paradigm for agriculture – only four years later.

In Romania the process of agricultural collectivization began in 1948-49 and had been concluded by the early 1960s. Until the beginning of the 1960s the main goal of the agrarian

---

1 Data includes fishing and forestry.
policies was to consolidate the collective and state farms and to break down the resistance of the peasants toward collectivization. Once collectivization was completed, during the 1960s and 1970s several attempts to better integrate the agricultural and industrial sectors of the economy were tried. These attempts were more or less simultaneously introduced in all the Eastern block countries, which were now reunited by the Council for Mutual Economic Assistance (CMEA) created in 1949. The most important agrarian reform strategy adopted by the CMEA countries at the end of the 1960s and during the 1970s was referred to as the "industrialization of agriculture". It consisted practically in the creation of large "agro-industrial complexes" (AIC) on the model of western agribusiness (Wädekin 1982). The intention was to integrate agriculture with the rest of the economy by creating clearly defined backward and forward institutional linkages to the rural cooperatives and state farms. The expectation was that this process of "vertical integration" would solve the multiple desequilibriums problems between industry and agriculture (Wädekin 1982; Pryor 1996). Overall the performance of agriculture remained low in Romania, the different organizational solutions advanced by the communist policy-makers failing to enhance peasants' motivation or to better coordinate the relationship among various sectors of the economy.

The land reform that followed the changes of 1989 was based on the principle of restitution and backed by the Law on Land Resources passed in February 1991 and by the Law of Leasing of Agricultural Land passed two years later. Being based on the principle of restitution, it resulted in the reproduction of the extreme fragmentation that characterized the Romanian agriculture before collectivization. During the 1990s the markets for land, capital and rural labor began to develop but the process has been rather slow, given the lack of clear reform programs for agriculture at the level of the various political parties (Jackson 1997). Also the distribution of property titles for land decided by the 1991 Law on Land Resources has been extremely slow, still not concluded by the end of 1999 (NPADR 1999). This situation influenced negatively the formation of land and rural credit markets and peasants continued to work in informal association rather than to run individually private farms. Traditionally an agricultural country Romania did not escape that sociological and economic condition in spite of systematic efforts made during the last century. At the beginning of the new millennium many of the structural problems it confronted in the pre-communist or communist periods resurfaced after 1989.

To sum up, a constant array of agricultural problems were the object of four major approaches or policy phases during Romanian history. This repeated exercise in policy experiments that unfolded over a long period of time offered an excellent setting for policy learning. Thus, besides the interest in its remarkable evolution, the Romanian situation offers the framework for a case study approach of the issue of policy learning. The relatively large number of policy attempts to solve the structural problems in agriculture and the existence of several clearly-cut historical turning points favored the use of periodization strategies (Lieberman 2001) as a way of increasing the instances under which the testing of the “rationality hypothesis” of the policy learning process occurs.


The aim of this chapter is to highlight the basic ideas and models underlying the agricultural reform policies in post-communist Romania. The analysis focuses on the legislative policy measures and tries to reconstruct from their structure and intended objectives the underlying concepts and theories that guided the process of policy-making. In parallel, this chapter argues that the efficiency consequences that were supposed to follow from the restoration of the private ownership of the land in agriculture were less impressive than initially expected. Once the basic concepts and ideas were articulated and once a preliminary evaluation of the policy reform outcomes was made, the premises for the testing of the rational learning hypothesis would be created and a better perspective on the reform process in Romania could be offered.

It should be noted that (the important political democratization process aside) two major socio-economic processes were set into motion as pillars of the post 1989 transition to the market economy and post-communist reform: the privatization of the industrial sector, and the land reform in agriculture. Both processes radically changed the ownership structure of the Romanian society and the organization of the production relationships. Consequently, they had two important results: from an economic point of view they changed the efficiency and growth capacity of those economies while from a social perspective they set into motion profound changes at the level of the existing social relations, especially at the level of the work system and the organization of the production relationships. Both the economic and the social aspects of the changes were directly determined by the new, predominantly private ownership structure that was introduced. In spite of the fact that the restoration of the private property of the means of production was a process of equal importance for the restructuring of both the agricultural and industrial sectors, given their structural differences, the introduction of private property rights took place in different ways in the two sectors and raised different types of problems for the policy makers and for society as a whole.

The Land Law 18/1991

After the radical political changes Romania went through at the end of 1989 (and except for the year 1990 when State officials still manifested hesitation over the necessity to restore the private ownership of land), policy-makers practically equated reform in agriculture with the restoration of the private ownership of land.

The law that set into motion the whole process was the Land Law 18/1991 adopted by the Parliament in February 1991. The law has been modified seven times between 1991 and 1997, most substantially by the Law 169/1997.

The principal aspects of the Land Law 18/1991 as revealed by its text were:

1. The law was based on the restitution principle up to a limit of 10 hectares per family and it followed the land ownership structure that existed in 1948. The minimum limit of land to be received was set at 0.5 hectares. The maximum surface of land to be owned by a person was limited to 100 hectares. If the pre-collectivization owners of land were no longer alive, heirs could claim ownership rights over the land.
2. Some categories of people - active members of the production cooperatives that did not contribute land to it, victims of the 1989 Revolution or their heirs, and people willing to settle in sub populated rural areas - could get up to 10 but no less than 0.5 hectares of arable land even if they did not contribute land to the former production cooperatives. In these cases they could not sell their land for a 10-year period.

3. Only individuals holding Romanian citizenship could own land.

4. Land owned but not cultivated is subject to fines and possible loss of the right of use after two years of non-cultivation.

5. The liquidation procedure of the former production cooperatives was to be administered by a liquidation commission that should have been established in a maximum of 15 days after the law had been passed in the Parliament. The commission was responsible for the lawful liquidation of the production cooperative and had to complete the liquidation procedure in a maximum of nine months after it had been constituted.

6. The new landowners were given two options to organize production: they could farm individually or they could set up associations by pooling together the newly distributed land. Fixed assets of the former, socialist production cooperatives as well as animals were to be distributed only to the newly established associations. Peasants deciding to farm individually (i.e. not to pool the newly distributed land in collective associations) were to receive only creditor rights over those assets proportional to the land taken over by the former production cooperative and to the volume of labor the former member of the cooperative had done over time.

8. State farms (“întrupări agricole de stat”, abbreviated as “IAS”) were to be converted into commercial agricultural companies according to the laws 15/1990 and 31/1990. Both laws were also regulating the privatization of the industrial and services sectors. In consequence, land nationalized over the communist period but held by state farms could not be restituted. Instead the former owners could get shares in the newly formed commercial agricultural companies.

9. Initially, land was to be free of land taxes until 1996 but the period was later prolonged until 2000.

10. Changes in the uses of farmland belonging to associations with juridical personality need to be approved by the local and/or State authorities (i.e. Ministry of Agriculture and Food and Ministry of Water, Forests and Environment Protection). People farming individually need to inform the Office of Land Registration and Organization in 30 days about the changes in the use they gave to the farmland.

11. Soil degradation prevention and amelioration is to be largely financed and coordinated by the state, through both the Ministry of Agriculture and Food and the Ministry of Water, Forests and Environment Protection.

Two ideas guided the philosophy of the land law. First, restitution was seen as the most legitimate way to compensate the rural population for the harms suffered during the harsh period of collectivization, regardless of any other efficiency considerations, or potential organizational difficulties implied by the process (Sarris and Gavrilescu 1997:193). Second, once land was restituted or distributed toward definite categories of owners, the associative form of the organization of production was to be favored over individual farming. Dismantling the former socialist production cooperatives meant basically a radical change in the property rights over land but less of a change in the organizational aspects of the agricultural production. The law encouraged the new owners to continue to pool their land in production cooperatives, now called agricultural companies (“societati agricole”). This intention was obvious in the way in which
fixed assets and livestock belonging to the former production cooperatives were to be redistributed. Fixed assets “that belonged to the abolished production cooperative, as well as the land on which they are placed, the vineyards, orchards and livestock became the property of the members of private associations, with juridical identity, if these will be set up. […] Former members of the cooperatives, that do not become members of the new association will receive creditor rights, proportional to the share they are entitled from the patrimony of the production cooperative” (article 29/1). Only in those cases in which no new production associations were set up, were the fixed assets to be sold through public auctions toward individuals or other commercial entities with juridical personality (article 29/3). The law thus framed, clearly favored the setting up of agricultural companies over private farming. Moreover, continuity was preferred to the breaking-up of the former production cooperatives and their reorganization in the form of either new farming associations or private farms. Interestingly, in spite of the fact that the law did not ban the setting up of more than one new production association, no indication was given in respect to the way the fixed assets of the former production cooperative were to be divided among several potential associations if this were the case. Clearly, the expectation was that only one new association was to be set up, initially at least, and get the patrimony of the former production cooperative. This subtle difference was of major importance for the further functioning of the agricultural sector. Land restitution in the agricultural sector resembled very much the MEBO (Management-Employee Buy Out) privatization method used in the privatization of various industries or services sectors. Therefore it borrowed many of its shortcomings. The main problem was that the ownership structure was changed but it did not bring about a radical change in the organization of work and production. The major problem generated by the Land Law 18/1991 was not the fact that associative farming was preferred to private, individual farming (although this may be a discussion in and of itself) but that various possible associative forms in agriculture were not realized in practice because the continuation of the former production cooperatives under a new juridical form was preferred.

There were several reasons why this way of distributing the fixed assets was favored. First, the distribution of fixed assets was technically much more complicated than the restitution/distribution of land. Second the village nomenklatura, made up by the former production cooperatives managers and technical personnel, favored the idea of agricultural associations. They were the first to benefit from the new system and to get information in respect to its functioning. Most importantly they had good downward and upward connections (i.e. the input and beneficiary industries), which the average people in the countryside lacked. Combined with the fact that many of the new landowners were no longer living in the countryside - about 40-45 percent of the new landowners are no longer living in the proximity of the localities in which they got ownership titles (NPADR 1999: 14), and given the aged structure labor force in the countryside (the average age of the active labor force working in agriculture was over 50 years) - many landowners decided to pool land in the new production associations. Obviously, asymmetrical information and risk-averse behavior explain much of this decision as several authors noted (Brooks and Meurs 1994; Mathijs and Swinnen 1998), but as I tried to point out, the way the Land Law was framed and the interplay of various interest groups, such as the former village nomenklatura, played a central role in the process as well.

However important the role of interest groups in the making of the law, it is important to note that two leading ideas or principles have been behind the whole process: First, the restoration of private property rights in agriculture was seen by the overwhelming majority of the politicians and technocrats as essential for the development of a market-oriented agriculture in
Romania. But, the fact that by the end of a decade of transition processes, Romania is characterized by a largely subsistence agriculture – a clear indication of the failure to reform the agrarian sector - bitterly proves that private land property by itself is insufficient in generating agrarian markets and economic efficiency. Second, the law implicitly favored the large farm size and considered it one of the essential determinants of efficiency gains in agriculture. At the same time, the spirit of the law was such that it generated paradoxically extreme land fragmentation and the formation of new associations was not encouraged. The most the peasants could get by forming new associations was access to more labor and not to the capital of the former production cooperatives.

A 1991 World Bank-Romanian Government survey (Brooks and Meurs 1994: 25) describes the effects of the law as follows: 62% of the households intended to pool their land and farm collectively, 35% expected to farm individually, while less than 25% opted for a mixed strategy (i.e. to farm part of the land individually and to pool another part in collective associations). The trend continued in 1992 too, when an estimate of 4050 formal and 11500 informal associations had been established. However, in 1992 only about 43% of the arable land was farmed in both formal and informal associations, while individual households farmed 49% (the difference of 8% belonging to the State) (Bulgaru cited in Brooks and Meurs 1994: 26). In addition, land fragmentation was high, a fact that could not come as a surprise given that the land law followed the 1948 ownership structure. In 1948, 91.1% of the households had holdings of less than 5 hectares (Muresan and Muresan 1998: 337). In 1992, 96% of the households owned plots of less than 10 hectares, of which 63.6% owned less than 3 hectares.

Table 1.1
The evolution of the organization of the private farming sector 1993-1999

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable land</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>privately</td>
<td>11006</td>
<td>11212</td>
<td>11381</td>
<td>11539</td>
<td>11612</td>
<td>11690</td>
<td>11921</td>
</tr>
<tr>
<td>farmed (thousand</td>
<td>ha)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>assoc. with legal</td>
<td>1. Number</td>
<td>4265</td>
<td>3970</td>
<td>3973</td>
<td>3759</td>
<td>3912</td>
<td>3578</td>
</tr>
<tr>
<td>identity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3573</td>
</tr>
<tr>
<td>2. Agric. land</td>
<td>1910</td>
<td>1771</td>
<td>1733</td>
<td>1752</td>
<td>1714</td>
<td>1558</td>
<td>1416</td>
</tr>
<tr>
<td>(thousand ha)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Average size</td>
<td>448</td>
<td>446</td>
<td>436</td>
<td>466</td>
<td>438</td>
<td>435</td>
<td>396</td>
</tr>
<tr>
<td>(ha)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>production assoc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Number</td>
<td>2. Agric. land (thousand ha)</td>
<td>3. Average size (ha)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>-----------</td>
<td>-----------------------------</td>
<td>---------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Individual Farms</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Number</td>
<td>3419736</td>
<td>3578234</td>
<td>3597383</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Agric. land (thousand ha)</td>
<td>7333</td>
<td>7905</td>
<td>8052</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Average size (ha)</td>
<td>2.1</td>
<td>2.2</td>
<td>2.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The number of both types of associations (i.e. formal with legal identity and informal) decreased over time in favor of individual farming. The phenomenon was more noticeable in the case of informal associations, which in 1999 were less than half the number of those established in 1994. Also, it is clear that peasants preferred informal associations to legally formalized associations. Over the entire period taken into consideration the number of informal associations was constantly two to three times higher than the number of associations with formal legal identity (Table 1.1).

While the fragmentation of land could have been easily foreseeable, the fact that almost half of the land was privately farmed in 1992 was rather surprising, especially in the context in which, as I tried to show, the land law favored associations over individual farming. Moreover the share of land farmed in associations decreased by 10% between 1994-1999. A level of only about 20% of the agricultural land privately held was farmed in associations both legal and informal in 1999 (Table 1.1). This situation suggests that farming in association has high associated transaction costs that do not offset the benefits of pooling the land. These transaction costs seem to be even higher in the case of formal associations i.e. (with legal identity).

There are several reasons that could answer the question of why individual farms gained ground over associative farming. First, private property in itself did not boost the formation of a market-oriented agriculture in Romania. In the aforementioned survey, “nearly three-quarters of the households reported the land they claimed to be enough for their household” (Brooks and Meurs 1994: 24). As technological advances in agriculture, rural credit and infrastructure development in rural areas did not accompany the restoration of private ownership rights over land, the behavior of households was subsistence-oriented rather than market-oriented. Second, the implementation of the law, especially the distribution of property titles proceeded very slowly and was still in process by the end of 1999 (Table 1.2). This implementation failure slowed down the formation of the land market, of the leasing and other associative arrangements as well as the development of the rural credit. Third, until the end of 1997, state financial support had been directed primarily toward the state agricultural sector. According to the National Program for Agriculture and Rural Development 1999, Annex 34
Program for Agriculture and Rural Development (NPARD) the majority of the state subsidized rural credits have been received by this sector. In spite of the fact that the private sector ensured 80% of the agricultural production only, 20% of the subsidized credits went to the private sector, most probably to the newly established formal associations (NPARD 1999:50). In fact, once the Law 18/1991 and the Law 36/1991 (to be discussed below) had been passed, agriculture was left free to organize production the way it wanted. Later on there was no state strategy formulated as to which production organization form (i.e. individual farming or various associative farming arrangements) was to be preferred. From an individual point of view individual farming and subsistence production seemed the most appropriate option, a situation nowadays appreciated as sub-optimal by the Ministry of Agriculture and Food.

Table 1.2
Land property titles (p.t.) issued between 1991 -1999

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual number of property titles issued</th>
<th>Share of the total number of p.t. issued yearly</th>
<th>Cumulative % of p.t. issued yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>25 963</td>
<td>0.60</td>
<td>0.60</td>
</tr>
<tr>
<td>1992</td>
<td>81 780</td>
<td>1.88</td>
<td>2.48</td>
</tr>
<tr>
<td>1993</td>
<td>592 564</td>
<td>13.68</td>
<td>16.16</td>
</tr>
<tr>
<td>1994</td>
<td>857 551</td>
<td>19.80</td>
<td>35.96</td>
</tr>
<tr>
<td>1995</td>
<td>843 085</td>
<td>19.46</td>
<td>55.42</td>
</tr>
<tr>
<td>1996</td>
<td>439 992</td>
<td>10.16</td>
<td>65.58</td>
</tr>
<tr>
<td>1997</td>
<td>188 174</td>
<td>4.34</td>
<td>69.92</td>
</tr>
<tr>
<td>1998</td>
<td>188 245</td>
<td>4.35</td>
<td>74.27</td>
</tr>
<tr>
<td>1999</td>
<td>125 934</td>
<td>2.90</td>
<td>77.17</td>
</tr>
<tr>
<td>Total</td>
<td>3343 288</td>
<td>77.17</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Program for Agriculture and Rural Development, Ministry of Agriculture and Food 1999: 13

Fourth, overall the agricultural endowment with machines was very low: “households themselves listed access to machinery as their first reason for choosing to farm as part of an association” (World Bank-Romanian Government Survey 1991 in Brooks and Meurs 1994: 28). Only about 7% of the households owned agricultural machines in 1991. The statistics of the Ministry of Food and Agriculture show an increase in the number of agricultural machines that belong to the private sector over the period 1989-1999. However, no information is given regarding the share belonging to households farming individually and in associations. It is more credible that associations remain more capital intensive than individual farms. It is significant that while almost 10% of the active labor force switched from other sectors of the economy to agriculture between 1989 and the end of 1997, the share of land individually farmed increased by the same percent by the end of 1998. The transfer of active labor force toward agriculture increased the labor-intensive character of the Romanian agriculture and deepened its subsistence orientation. Agriculture continues to be one of the most important employment options for the Romanian labor force: 48% of the respondents of a nationally representative survey listed working in agriculture as a possibility in case they would lose their present work place “by tomorrow” (Barometrul de Opinie Publica May 2000: 63).
The Law regarding the agricultural companies and other forms of associations in agriculture (Law 36/1991)

This law adopted in May 1991, at only few months after the Land Law 18/1991, which had been passed by the Parliament, established the way the new production associations, called by the law agricultural companies (“societati agricole”), were to be set up.

The main stipulations of the law were:
1. The associations can be “simple” or “with legal identity”. The simple, i.e. informal associations are constituted by the verbal or written agreement of the parts. They do not have legal identity. The associations with legal identity i.e. agricultural companies are registered in the Registry of Agricultural Companies.
2. The number of members of an agricultural company cannot be smaller than 10.
3. Land contributed to the associations remains the private property of the associated member. Fixed assets and livestock represent in kind contribution to the social capital of the association.
4. The social capital of the company is divided in social parts of equal value. Each member is entitled to a number of social parts according to his contribution in land and in kind to the association. Land contribution is sufficient to get membership status.
5. The legal responsibility of a member toward the company is limited to his social parts.
6. The agricultural company has the following organizational structure: a) The General Assembly made up by all of the company’s members; b) The Administrative Council with a minimum of 3 and a maximum of 13 members elected by the General Assembly from among the company’s members; c) The Directory Committee elected by the Administrative Council. This organizational level is optional; d) The Censors Commission elected by the General Assembly.
7. At least half plus one members of the Administrative Council have to be present when decisions are made. Decisions by the Administrative Council can be made only with two-thirds of the votes. At least two-thirds of the General Assembly’s members need to be present in order to have a decision be valid. Important decisions, such as changes in the company’s activities structure or the disbanding of the company can be taken only with two-thirds of the votes.

Many of the effects of the law have already been mentioned above. Initially the law resulted in a high percentage of landowners willing to pool their land and to form associations. However, given the lack of managerial skills in the countryside after years of planned agriculture and the low level of education among the rural population, many peasants chose to farm either individually, or in informal associations. Associations with juridical personality required managerial skills that many of the peasants did not have. In this respect, the transaction costs implied by associations with legal identity seemed to be exceedingly high, the law was pretty complicated to be easily understood or applied. In the absence of ample, well-organized training programs, its implementation has been accessible in many cases only to the rural nomenklatura, the former production cooperatives managers, agronomists, and technicians. Consequently, the bulk of the new landowners opting for associative farming decided to become members of simple, informal associations.

As regarding the evolution of associative farming over the last decade, it is worth mentioning that even if the decrease in the number of associations with juridical identity was not as dramatic as in the case of informal associations, the process of associations’ dismantling was constant after 1993 (Table 1.1). Also, taking into consideration that the average size of land farmed in associations with legal identity was in general four times greater than that farmed in
informal associations, the decrease in the number of agricultural companies was of major importance for the structuring of the organization of production in agriculture.

Regarding the efficiency of the associative farming sector, the Brooks and Meurs (1994) study revealed that by the end of 1991, the agricultural companies proved to be less efficient than individual farming, that they continued to hire more workers than necessary and that they continued the tendency of the former production cooperatives to borrow despite outstanding debts. Briefly, in spite of the fact that they were new legal entities, many of the new agricultural companies continued the economic practices of the older production cooperatives. The fact was accentuated by the relatively high number of associate members - an average of 193 members was found by a 1992 survey (Ianos cited in Brooks and Meurs 1994:25) - that had very limited individual power over the policies of the company. This situation very much resembled that of industrial and services firms privatized by the MEBO method.

*The Land Leasing Law 16/1994*

The Land Leasing Law was adopted in April 1994, three years after the restitution of land had been established by the Land Law 18/1991. The law underwent significant modifications in 1998, when a new Law 65/1998 for the modification and completion of the Land Leasing Law 16/1994 was adopted.

Land leasing was regarded as a supplementary way of consolidating land in larger farming units. However there is little information regarding the effects of the law and data in respect to the amount of land farmed under leasing arrangements is not available. But given the fact that land leasing is not only a matter of economic organization but also a matter of social practice if not a social institution in itself (Basu 1984), the law may have very little practical effect. The practice of land leasing although still very popular by the turn of the last century, decreased gradually in importance between the two world wars when successive land reforms took place and conducted to a redistribution of land from the large *latifundia* toward the mass of the peasants. As gradually land distribution become more egalitarian, the practice of farming under land leasing arrangements lost ground. By 1941, only “about 28% of land was held in lease or *metayage*, while less than 1% of the exploitations were entirely on rented land” (Roberts 1951: 51). The practice completely ceased during the communist period. Also, another major condition for the emergence of land leasing arrangements i.e. the existence of an unequal land distribution was not present in Romania as a result of the egalitarian way in which land restitution proceeded. But, given the fact that a large number of owners no longer live in the areas in which they hold land, there may be some potential for land consolidation through leasing arrangements.

However as in the case of the previously presented laws, the leasing law, at least in its 1994 form, had some elements that might have prevented its large application. First and most important the law stipulated a minimum of 5 years leasing period (Article 7). The idea was probably that the leasing period be long enough to stimulate some minimal land improvements by the tenant. However, clearly defined property rights as well as law enforcement are essential conditions for the establishment of formal leasing arrangements. Unfortunately, by the end of 1994 only about 36% of the property titles had been distributed (Table 3.4) and it is reasonable to believe that fear of losing the ownership rights over the leased land might have made the law unattractive. The five years leasing period requirement has been removed from the law in 1998 only.
Another important point concerns the way rent was to be established. The law mentions that the rent can be paid in kind, in money or a combination of both. There is no clear reference to the various ways the leasing contracts may be concluded. The law proposes neither a pure fixed-rent tenancy system nor a pure share-tenancy system. Instead, the law mentions that: “the rent to be paid in kind, will be established in a determined quantity of products, that will vary according to a minimum and a maximum production” (Article 15). The same rule applies in case the rent is to be paid in money, with the only difference that the amount to be received by the landlord represents the monetary equivalent of the products at the local markets prices (Article 16). Apparently a sort of shared-tenancy system was encouraged despite Marshallian inefficiency characterizing this leasing arrangement. The choice was probably motivated by risk-sharing considerations in case of bad crops and by the fact that landlords in Romania were not in a powerful position, i.e. land was abundant and extremely cheap, so that they could hardly impose a fixed-tenancy system, even if it allowed for output maximization. In any case, the conception of the law in respect to the way the rent should be calculated is confusing, the indication of a minimum and respectively maximum of production being rather unnecessary at the moment the shared-leasing contracts are signed. This framing makes room for either an underestimation of the production by the tenant or overestimation of it by the landlord. The establishment of the rent as a simple percentage of the total production would have avoided both situations. The Law 65/1998 that modified the Land Leasing Law 16/1994 did not retain any indication as to the way rent had to be calculated. It only mentioned that the rent should be established according to the agreement of the parts and executed at the time and place mentioned in the contract (Law 65/1998, Article 13).

One of the most important aspects of the Law 16/1994 is that it introduces the first reference to the privatization of the remaining state agricultural sector. The procedure was the following: individuals owning shares in the commercial agricultural companies in which the State hold the majority share package, could have opted to become tenants (“locator”) of the land for which they initially hold shares. The leasing contract should have been signed for a minimum five years period by the end of which land property titles were to be issued. In other words, in order to get direct ownership rights, an individual should have the status changed from shareholder to tenant and after five years to that of direct owner. The intention was probably to have a smooth transfer of the property rights, one that would not radically disrupt the existing production relationships in the state agricultural sector. The established transfer period was however too long.

Law 54/1998 concerning the legal circulation of land
The Law 54/1998 establishes the legal basis for the formation and strengthening of the land market in Romania. Before its adoption in 1998, the legal circulation of land was regulated by a special chapter of the Land Law 18/1991. The law 54/1998 abrogated that chapter and also brought several important clarifications to the 1991 Land Law.

---

18

---

2 The English economist Alfred Marshall (1842-1924) considered shared tenancy to be an economically inefficient land tenancy institution. Marshall argued that under conditions of shared tenancy the total agricultural output tends to be sub-optimal. Marshall showed that given the nature of microeconomic decisions what is optimal from the tenant’s point of view does not coincide with the societal level of optimal agricultural output. In general, under conditions of shared tenancy, the number of labor units invested by the tenant is smaller than what the “society” prefers.
First and most important, the legal limit of land to be owned in Romania has been increased from 100 hectares per household, as had been established by the Land Law 18/1991, to 200 hectares per household. Second, the right to land ownership remains limited to the Romanian citizens only. However, in comparison to the Land Law 18/1991 the present law is much more liberal in that it recognizes land ownership rights to all the Romanian citizens, whether or not they have legal residence in Romania. Three, there are two ways in which land can be legally transacted: 1) by buying and selling operations 2) by land holdings exchanges. Co-owners, neighbors and tenants have the right of first refusal. The owner is obliged to announce the local authorities about his intention to sell land. Local authorities are obliged to make the offer public. Co-owners, neighbors and tenants should manifest their intention to buy land in maximum 45 days after the offer has been made public by the local authorities. In spite of the fact that the right of first refusal represents a limitation of the property right of the land owner it has been introduced in order to consolidate larger, compact land holdings. Again the present law is more liberal in spirit than the Land law 18/1991, as rights of first refusal are limited to the mentioned categories of individuals only. Unlike previously, the state has no right of first refusal. Moreover, in the present law the landowner may refuse to sell land to the mentioned categories of individuals with right of first refusal in case they do not agree over the price.

As regarding the land holdings exchanges the most important aspect clarified by the present law is that State-owned agricultural land cannot be subject to land holdings exchanges. Previously land holdings belonging to the State could have been exchanged against private holdings with the express approval of the Ministry of Food and Agriculture or the Ministry of Water, Forests and Environment Protection respectively. This former rule allowed for many discretionary bureaucratic decisions.

It should be mentioned however that land market in Romania is still very poorly developed in spite of the existence of a well elaborated law regulating land transactions. Except for the land situated close to the big cities or tourist areas, land prices are extremely low, so that land consolidation in larger holdings through buying and selling is very limited. Contrary to the opinion that high levels of de-collectivization and land fragmentation would be conducive to the transactioning of land mainly through buying and selling (Trivelli 1997), the land market in Romania is poorly developed and inactive. As long as the agricultural production in Romania is not firmly driven by market forces and remains in a significant measure subsistence oriented, it is very difficult to have an active land market in place. Probably the most important incentive for the development of the land market would be the existence of agricultural input prices that are not set against the prices of the agricultural products. Otherwise the fact that there is a well-elaborated law that regulates land transactions and that the level of de-collectivization and land fragmentation are high will not result in a land market able to induce scale-efficiency.

Law 1/2000 for the restoration of the ownership right over agricultural and forestry land according to the Land Law 18/1991 and the Law 169/1997

Ten years after the land restitution principle had been stated in the Land Law 18/1991, the government decided that land restitution was still not completed and that the process should further proceed. In January 2000, the Law 1/2000 was passed by the Parliament, and had as its guiding principle the enhancement of the land restitution limit from 10 hectares as it was previously established by the Land Law 18/1991 to up to 50 hectares of agricultural land per depossessed person. This time not only land that had been obligatory collectivized in production cooperatives was to be restituted, but also land that had been nationalized by the state and farmed
over the communist period in the so-called state agricultural enterprises ("intreprinderi agricole de stat" abbreviated as IAS) and other state owned agricultural institutions such as agricultural research stations and institutes. As has been already mentioned, according to the Land Law 18/1991, former state farms have been transformed into commercial agricultural companies, in which former owners of the land were shareholders of 30% of the company’s capital, the difference remaining state property. If the Land Law 18/1991 conducted to the disappearance of the collective production farms, leaving the other so-called state owned sector mostly unaffected, this time the privatization of the former IAS and the restitution of land still belonging to them was decided. In comparison to the very slow and uncertain procedure of land restitution established by the Land Leasing Law 16/1994 discussed above, this time the process is radical and should proceed fast. The law establishes a one year period for the issuing of all the new property titles as well as of the over 20% of property titles established in virtue of the Land Law 18/1991 but still not distributed by the end of 1999. In other words it is expected that by January 2001 the process of land restitution and land property titles distribution will be finally completed. The law mentions that land has to be given back as much as possible on its pre-collectivization location. Only where this is no longer possible other locations are to be considered. If land is insufficient to cover all the demands, damages will be paid to the former owner.

An important aspect, although not very clearly stated in the law, concerns the irrigation systems that have been build upon the restituted land. The law mentions that the owner of the land on which such systems exist, should allow access to them to all the other owners. Also the users are obliged to contribute proportionally to the maintenance of the irrigation system and are collectively responsible for the eventual damages, could the individual responsibility not be established. However the property status of the irrigation system, i.e. state, private or common property is not clearly mentioned. More precisely it was not clearly stated if the owner of land holdings on which irrigation system were placed become also the owners of these. Given the fact that irrigations represent a classical example of public goods, their management may be difficult and conflictual. The fact that the law does not express clearly their property status and does not state who is responsible for the enforcement of the usage rules is a major shortcoming of the present law. In any case, if by the end of 1989 more than 3 million hectares of land were irrigated in 2000 only less than 100 thousand were irrigated, a situation that may be characterized as dramatic. In 2000 the production losses as a result of the drought were estimated to over 40% (Adevarul July 12, 2000). Whether or not this is a classic case of public goods and free rider failure remains to be established, but it is clear that a better definition of the irrigations property status needs to be given.

Governmental Urgent Ordinance 198/1999
By this urgent ordinance, in December 1999, the government decided to privatize the commercial agricultural companies that were still State owned. Over 600 such companies were targeted by the ordinance. By this measure the privatization of the State agricultural sector was expected to come to an end. The ordinance was complemented by the Law 1/2000 discussed above, which established the way in which part of the land belonging to the companies should be restituted to the former owners. The privatization process was to be mainly coordinated by the Ministry of Agriculture and Food through a newly established institution - The Agency of the Public Domains (“Agentia Domeniilor Publice”) and by the State Ownership Found. Two distinct privatization methods were stipulated in the ordinance: (1) share purchases and (2) actives selling. The first method was preferred because it does not result in the dissolution of the
company but only in the change of its ownership status. Only if a company could not be
privatized through the first method were the actives of the company to be sold to individuals or
other formal associations and would the company virtually dissolve. In spite of the fact that the
privatization of the remaining State-owned companies in agriculture was supposed to proceed at
an accelerated pace, the results of the Ordinance were rather disappointing. The change of the
Government as a result of the 2000 elections slowed the process. In fact, the new Government
was less willing to privatize the former State-owned agricultural enterprises. The Năstase
Government program made no specific reference to the future status of these enterprises and
provided only a crisis-management policies package emphasizing State support to the
agricultural sector and further subsidization of a large range of agricultural activities (Sinteza
Programului Năstase, Ziua 28 December, 2000).

**Outlook of the Romanian Agriculture at the End of the 1990s**

In retrospect, at the end of the 1990s as a result of the agricultural policies initiated in
Romania, and especially of the weak performance of the industrial sector a significant percent of
the active labor force transferred to agriculture. In a comprehensive document analyzing the
situation in agriculture at the end of the decade elaborated by the Romanian Ministry of
Agriculture and Alimentation it was recognized that “the increase of the share of agriculture in
the employed active labor force by 9.3 per cent\(^3\), and in the brut value added by 4.9 per cent
between 1989-1997 gives the Romanian economic transition the character of an incipient
*reagrarianization*” (NPADR 1999: 11, emphasis added). However, except for the observation that
this process could have “unfavorable implications on the trend of social labor productivity” as a
result of “the sensitive reduction of the share of investments and fix capital in agriculture” the
document adds nothing more. It is not clear at all if what worried the Romanian policy makers
was the absolute increase in the active labor force employed in agriculture or the process of de-
capitalization that took place in agriculture and in the absence of which the stabilization of the
new population in agriculture would be less problematic.

A major moment in how the relationship between agriculture and industry structured,
occurred during the land reform that took place in Romania as well as in other Eastern countries
shortly after the radical political changes of 1989. Like the Czech and Slovak Republics, and
Bulgaria and Hungary, Romanian land reform after 1989 has been based on the principle of
restitution but given the pre-collectivization structure of the property an extreme parcelization of
the land followed. Presently about 44.5% of the agricultural land is occupied by individual
households with an average size of less than 2.5 hectares\(^4\) while another 10% have an average
size of less than 5 hectares. The document appreciates that this sort of agricultural farm
“practices a subsistence agriculture, with the largest share of production being aimed for self-
consumption” (NPADR 1999: 60). This situation was clearly foreseeable given the fact that high
parcelization of land was a constant characteristic of the Romanian agriculture from 1864, when

\(^3\) To give a dimension of this phenomenon we should note that at the end of 1998 the share of the active labor force
employed in agriculture, calculated on the basis of data available in the CESTAT Statistical Bulletin, no.4/1998
represented 5.54% in the Czech Republic, 7.54% in Hungary and 19.08% in Poland. In Bulgaria the share of
agriculture in total employment was of 22% in 1993 (Mathijs and Swinnen, 1998). In consequence, the increase of
9.3% in the share of agriculture in total employment in Romania was higher than the share of total labor force
employed in agriculture in some of the former socialist countries of the region.

\(^4\) In the European Union countries (EU-16) the average size of the agricultural land in individual farms is of 16.6
the first land reform was enacted to 1945 when the last land reform (before the start of the collectivization process) was conducted.

Another significant aspect of the transition period was the constantly increasing gap between agricultural production and the production of the food industry. In spite of the uncertainties brought about by the redistribution of land and the subsequent transformation of the production relationships in agriculture, agricultural output never fell below about 95% of its 1989 level taken as a reference basis. However during the period 1989-1998, production in the food industries as a whole went down by about 50%, except for 1990 when the production level still represented 80.7% of its 1989 level (NPADR 1999, Annex 24).

Obviously, the subsistence character of the Romanian agriculture is not only a consequence of land reform with its extreme parcelization, but equally if not overwhelmingly the result of a complete neglect of the relationship between agricultural production and its upward beneficiary industries. In fact the behavior of the agricultural sector is rather puzzling to those considering the small farm size as an essential indicator for the low productivity level in agriculture. Individual peasant households with holdings smaller than 5 hectares make up about 55% of the Romanian agricultural exploitations. In the context in which the capital endowment of agriculture, the use of fertilizers and pesticides, and the use of certified seeds which decreased markedly in the last ten years, the performance of the agricultural sector is surprisingly good. Even more, the NPADR document mentions that in spite of the output decrease, the agrarian sector was still the only economic sector to register constantly an increase in the brut value added (Annex 22.9). In conclusion even if the organization of land and production in agriculture is still not settled, it is far from being the main reason for the reagrarianization process Romania is facing. Despite this evidence, the farm size and organizational aspects of agriculture continue to be unfortunately the most debated subjects and the treatment of agricultural development is still largely seen as a subject of its own, in isolation from the other sectors of the economy.

Thus, this rather detailed overview of the agrarian reform policy legislation reveals that four basic ideas, models, or conceptual frameworks inspired the Romanian policy makers during this period:

---

5 Exceptions are the years 1992, when agricultural output represented only 84.8% of the 1989 level and 1997, the only year between 1989-1998 in which agricultural production was higher than in 1989 and represented 102.7% of the 1989 level.

6 As will be explained more fully in chapter two, under the Marxist influence a core idea of the Romanian agricultural development policy, especially in the post World War II period, was that there is a direct relationship between farm size and agricultural productivity and that the large farm size is quintessential for the enhancement of productivity in agriculture. According to Marxist theory small-size farms are associated with low labor productivity levels. Therefore the organization of labor in large farms through collectivization was believed to lead to labor productivity enhancement in agriculture. However, the experience with collectivized agriculture in ECE did not support this assumption and several authors argued that the type of crops cultivated is an important intervening variable in the relationship between labor productivity and farm size (Pryor, 1992).

7 Agricultural development cannot be regarded in isolation from the overall development of the economy, especially of its industrial sector. Therefore the failure of agricultural development refers not only to the low performance of agriculture as such, but at the same time to the inability to expand the industrial and service sectors of the economy to a level comparable to that characterizing advanced economies.
a. Land restitution and private ownership of the land could by themselves solve to a large extent the problems of low labor productivity and output decrease which accumulated during the period of planned agriculture.
b. Paradoxically, the large farm-size continued to be considered the ideal form of organization of production in agriculture, and the only one able to capture economies of scale in agriculture.
c. Rural markets (e.g. of land, labor, and capital) were believed to emerge naturally as a result of the reintroduction of private property rights over land, a view remnant of the “organizational engineering” approach to agricultural development as opposed to an “institutional” understanding of its conditioning.
d. A “pie” view of the economy, in the sense that agricultural development policies concern the agricultural sector in particular and can be designated in isolation from development policies concerning other sectors of the economy.

As it has already been mentioned the (preliminary) results were not very encouraging. The question is in what measure the decision to develop policies influenced by those ideas was a rational one that is based on the previous experiences and a reflection of learning from that experience. In order to answer that question, the study will identify the ideas that inspired the reforms in the previous periods and will compare those ideas with the current ones while at the same time considering the results of those past policies. The next chapter will analyze the 1864-1948 period, while chapter 3 will be devoted to the communist period.
CHAPTER TWO: THE PRE-COMMUNIST PERIOD (1864 – 1945)

From Land Redistribution to the Collectivization of Land: Agriculture between the Creation of Market Institutions and the Planned Economy Organization

This chapter presents the main turning points in the structuring of the Romanian modern agriculture. I begin with the second half of the 19th century, when the overall modernization of the country and its opening for the West European markets accelerated. I then move to the dramatic changes brought about by its entering in the Soviet sphere of influence at the end of the Second World War. It will be shown that after 1864 when the first land reform was enacted in the Romanian Principalities and up to the beginning of the collectivization process in agriculture in 1948, several land reforms took place that gradually dismantled the landed class large land ownership, the latifundia, by distributing land to the peasants and for the first time in the history of Romania, transforming them into owners of the plots of land on which they had worked for centuries. This process took place under the pressure of several social, political, and economic factors that contributed to the gradual elimination of the feudal organization of production in agriculture. However, while it is certainly true that the social and political status of the peasant changed dramatically from 1864 to the period of the 1921 land reform (brought about by the first world war), and from that period to 1948, the main failure of the successive land reforms undertaken during this period was due to the fact that they did not manage to create an efficient and intensive agriculture, and that peasants’ standard of living remained generally low.

Once Romania entered the Soviet sphere of influence at the end of the second world war and the economy became highly centralized, the efforts of almost a century in the direction of private property rights enforcement, and the establishment of a new and more egalitarian land ownership structure in agriculture, were reversed and the socio-economic evolution of the country fractured in unpredicted ways. Following the Soviet model, land was collectivized and production reorganized in large-scale cooperatives, that were expected to function on the model of industrial enterprises.

The present analysis will pay only scant attention to the political background of the agrarian reforms and policies undertaken in Romania in the period under consideration. The intention is rather to look at their necessary character in the context of Romania’s efforts toward modernization, to group them under meaningful categories, and to provide a concise analysis of their technicalities, structural aspects, and overall consequences for the process of agricultural development.

The evolution of agricultural organization from 1864 to 1917

By the turn of the 19th century, the social relations characterizing the Romanian provinces were still feudal in nature. Agriculture represented the only sector of the economy and was dominated by large latifundia owned by the boyars – landowners, which also represented the upper political class. Peasants were free from a juridical point of view (i.e. they could leave the latifundia on which they were born) but in practice they could not become landowners and remained economically and socially bound to the landowners and to their land.

The relationships between peasants and landowners were largely governed by social customs and rules. The most important among them was the unwritten rule requiring the landowner to give a piece of land in use to any newly married peasants living in the villages on
his estate. By custom landowners had the obligation to allocate up to two-thirds of their land to the peasants. The death of both husband and wife meant that the land went back to the landowner only to be redistributed to other new, young families. The peasants were obliged to work on the boyars’ land an established number of days per year - a rule called “claca” - and to give the landowner part of the harvest. By custom, peasants had free access to the commons i.e. grazing land and forests.

However, once the Romanian Principalities gradually escaped the Turkish rule and the Romanian landed class gained increasing access to the country’s power structures, the relationships between boyars and peasants began to change in significant ways: they became much more formalized from a juridical point of view, ancient customs governing their relationships started to lose ground and in general the boyars were now in a better position to impose new legal rules that favored them. The benchmark of the evolution of agriculture in the 19th century was that the Romanian Principalities gained political independence from the Turkish Empire and an increasing access to the West European grain markets, and the real economic condition of the peasants worsened (Mitrany 1968). This paradoxical situation was mainly due to the peasantry’s nearly complete lack of access to the political process. It was also due the fact that no middle class existed in the Romanian Principalities who could check the power of the landed class as had been the case in the Western part of the continent.

In 1856 by the Treaty of Paris the Romanian Principalities became autonomous. The Turkish Empire maintained a formal control over them until 1877, but in fact the Romanian Principalities, now placed under the protection of the Great Powers, had the liberty to organize their political and economic life in their own ways. The country was to be governed by native princes and by a liberal Constitution. In 1859 the two Romanian provinces of Moldova and Muntenia became reunited into one kingdom under the Prince Alexander Ioan Cuza. Prince Cuza, governed the country until 1866 when he was forced to abdicate and was replaced by the foreign king Carol I, who was imposed on the Romanian throne by the Great Powers. Transylvania was to remain part of the Austro-Hungarian Empire until the end of the First World War in 1918. The present analysis will be concerned only with the agrarian reforms and policies undertaken in the provinces under formal Romanian rule, although this is obviously an oversimplification. Until the unification of 1918 between the Romanian Principalities and Transylvania, there were strong commercial relationships and an active circulation of ideas that put their mark on the agrarian policies and the measures adopted in the Romanian Principalities.

**The Land Reform of 1864**

The Reform of 1864, the first to distribute land to some categories of peasants, was introduced against the stubborn opposition of the landed class, through princely decree and only after Prince Cuza resorted to a coup d’etat on May 2\(^{nd}\). To do this, the Assembly had to be dissolved - the legislative body of the country that repeatedly failed to pass an agrarian law in favor of the peasants and in line with the 1856 Paris Treaty provisions. Thus, this first land reform of 1864 was an act undertaken primarily under exterior pressure, namely under the political pressure exercised by the Great Powers. It did not come about as a democratic decision of the Romanian political body or as a solution identified internally for the country’s modernization. On the contrary, Prince Cuza and a few liberal intellectuals such as Prime Minister Kogalniceanu, the representatives of both the Conservatives, and the Liberal parties tried as much as possible to protract and hinder its achievement.
An important characteristic of the reform, which was to become a constant feature of successive land reforms, was its legalistic approach. The peasants’ rights to land were never justified on economic grounds or out of efficiency considerations. Even the most enlightened and liberal minds of the time limited their arguments to the legal inconsistencies that would have followed from denying all citizens equal rights and that would have badly hampered the constitutional basis of the new state. As Mitray (1968) points out it was merely the impact of the humanitarian and egalitarian ideas brought about by the French Revolution and the adoption of written constitutions in all of Europe (and by necessity in Romania too) that precipitated the movement toward the emancipation of peasants. As he puts it: “Nothing could have seemed to these men more abhorrent than the lack of personal freedom: their main ambition was to free the peasant from servitudes” (Mitray 1968:50). So the goal was to put an end to the feudal relationships seen now through the lenses of the new political philosophy as unjust and had little if nothing to do with a vision on the country’s future economic evolution. If in the West the emancipation of the peasants came at a time when the Industrial Revolution had been set into motion and a growing middle-class emerged of industrialists and traders, in the East and in Romania in particular, these conditions were missing. As a consequence, the emancipation of the peasants and the end of their feudal servitudes in the two parts of the continent though similar in nature were having very different consequences for the dynamics of economic life.

The main lines along which the reform was organized were as follows: 1) all labor servitudes were abolished, and 2) land was to be distributed to only some categories of peasants, the clacasi (i.e. peasants holding in use a piece of land granted by a landlord and bound in exchange to various servitudes toward him). The poorest peasants were not entitled to land and received only one lot for the house and the surrounding garden, and 3) the amount of land to be received was differentiated according to the heads of cattle a the house possessed. The law established three categories of peasants, each getting a certain surface of land (Table 2.1), 4) landlords were to receive compensations for the expropriated land. One-third of the compensation was to be paid by the State and two-thirds by the peasants themselves over a fifteen-year period, and 5) land could not be sold for a thirty-year period.

<table>
<thead>
<tr>
<th>Categories of peasants</th>
<th>Land received per household (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moldavia</td>
</tr>
<tr>
<td>With four oxen</td>
<td>7.26</td>
</tr>
<tr>
<td>With two oxen</td>
<td>5.72</td>
</tr>
<tr>
<td>With one cow</td>
<td>3.04</td>
</tr>
<tr>
<td>Land for house and garden</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 2.1 Land distribution per historical regions and categories of peasants, according to the 1864 Agrarian Law

Source: Muresan and Muresan 1998:107

The size of the holdings was lowest in Muntenia were the ratio of peasants to land was higher. In the less populated regions the average size of the holdings were somewhat higher. However, the
majority of the households belonged to the second and third categories respectively, with only about one fifth of them owning four oxen or more.

As a result of the Rural Law of 1864 a number of 511896 households received land in property, representing an area of 2038640.26 hectares. The average size of the plot was of 3.98 hectares per family. From the country’s total agricultural land 30 percent belonged now to the peasants, 60 percent to the landlords while the difference of 10 percent was state-owned (Muresan and Muresan 1998:107).

The structural aspects of the Romanian society and the economy as compared to its Western counterparts, and the implementation of the reform as conducted by the landed interests, made of the 1864 land reform a practical failure. Not only were the economic results as expressed by the production levels and their qualitative structure worsened for a while, but even the very social goals concerning the ending of feudal relationships in agriculture had been perverted. This was so because in practice landlords managed to maintain the servitudes and to make them even more severe for the peasants than before.

Land was to be allotted from two sources: on the one side from landlords’ partial expropriation and from the State domains. The State domains had been formed mainly out of the monastical estates that had been “secularized” only a year before, in 1863. About 25 percent of the country’s agricultural land had become State property through the secularization law of 1863.

Before the reform the landlord allotted land by custom to the newly married peasants and the allocations could have gone up to two-thirds of his estate. This rule had now been eliminated. Through abuse and misinterpretation of the law, the boyars managed to own more than half of the country’s arable land, with no obligation whatsoever toward the newly-married. Overall, as many peasants as possible were classified in the lower categories so that landlords had to allot less land and could keep more for them.

Also, the adoption of the law brought about the abolition of the old social custom of peasants’ free access to the commons - forest and grazing lands. In exchange peasants received in property small areas of forests and grazing land, which were soon to be transformed into arable land, as peasants were pressed by the payments of the annuities. Over time this situation resulted in a significant decrease in the livestock.

Another peculiarity of the law was that land allotted to the peasants did not in general coincide with the one they used to farm up to the enactment of the agrarian law. It was often of worse quality. Under these circumstances, more and more peasants found themselves soon unable to pay the annuities. Moreover, as the wheat markets were booming, the price of land grew several times, making the buying of land virtually inaccessible to the peasants. In order to pay the annuities, peasants saw themselves obligated to sell their labor to the landowners under very heavy conditions. This phenomenon came to be known as the “neoserfdom” period (Dobrogeanu-Gherea 1910).

As Mitrany (1951, 1968) demonstrated, this land reform, of major importance for Romania’s later economic evolution, left the organization of production in agriculture unaltered. What was changed was the legal status of private ownership of land, which was now modeled entirely on Western standards. In respect to the technical aspects of production, and especially the endowment of agriculture with machinery the situation remained basically unchanged, while the social character of the relationship between peasants and boyars worsened.
The laws concerning the sale of land from the State domains

Up to the end of the 19th century successive laws concerning the sale of land from the State domains had been enacted in 1866, 1868, 1876, 1881, 1884, 1886 and 1889. In general, they benefited the landlords only, as the conditions stipulated for the selling of land largely disregarded the peasants’ economic possibilities. The size of the plots to be sold and the payment conditions were in general established in such a way that they prevented the buying of land by peasants.

Up to 1881 all land put up for sale by the State had been bought only by landowners, despite increasing land-hunger among the peasants. Only in 1881 had peasants been able to buy some land, as the selling conditions had somewhat been eased. The amount of land that they were able to buy was very modest in comparison to the real needs. According to the statistics of the time, 6687 peasants managed together to buy 31297 hectares of land (Mitrany 1968:71), which means that the average size of the newly acquired plots was less than 5 hectares.

As concerning the law for the selling of land from the State domains enacted in 1884 and amended in 1886 it resulted in the selling of 680 State domains out of which only 39 passed to the peasants hands. Not surprisingly the years 1888 and 1889 were marked by peasants risings that eventually resulted in the adoption of some new, more favorable selling conditions for the peasants in 1889. This time lots to be sold could only be 5, 10, and 25 hectares in size. Only plots that were 10 and 25 hectares were to be sold by public auctions and could have been resold later. The smaller plots of 5 hectares were to be sold on credit and on very easy conditions (i.e. no prepayment was necessary), the annuities were low, no individual could buy more than one lot of land, and the plot could not have been resold for a minimum period of thirty years. As a result 546 593 hectares of land had been sold to 106714 peasants of which 105165 bought lots of 5 hectares only. Again the selling of land under improved conditions toward the peasants had not been conducted on economic grounds, but under the fear of more serious social upheavals. The same had been the case in 1878, when after the independence war against the Turks, 48342 newly-married couples received 228328 hectares of land in Dobrogea, an under-populated region gained back from the Turkish Empire at the end of the war (Opritescu 2000:89). In this case the reasons were also not economic, as land had been promised to the peasants in exchange for their participation in the war.

The laws on agricultural contracts

As has already been mentioned, the agrarian law of 1864 abolished the labor servitudes of the peasants toward the landlords. On one side and at least in principle, peasants could now enter in free economic transactions and they could freely sell their labor. On the other side, with peasants having their own plots of land to be farmed, the boyars were anxious that peasants would refuse to work their land as well. The first concern was to make sure they would dispose of enough labor to farm their land especially during the peak period of the harvest. The situation was aggravated by the fact that boyars did not possess the agricultural equipment necessary for the farming of land. By tradition, this equipment was in the peasants’ hands.

The successive laws on agricultural contracts adopted in 1866, 1872, 1882, and 1893 were supposed to regulate the rural labor market. As in the case of the laws concerning the selling of land, they put the peasants at extreme disadvantage. At least until the adoption of the law of 1882, the agricultural contracts were so conceived as to almost completely block the development of a true labor market and to continue for as long as possible the former feudal
organization of the production relationships in agriculture (even if under a new juridical form) in tone with the Constitutional changes.

Both laws of 1866 and 1872 openly declared in their preambles that the “Rumanian agriculture had not reached the state when it might work with free labor” (Mitrany, 1968:73). The laws permitted that the payment of rents or all other monetary debts that peasants had toward the boyars, be commuted in labor obligations. But, out of reasons already discussed above, peasants got gradually more and more indebted shortly after the agrarian law of 1864 and as the rural credit was virtually nonexistent, their labor obligations tended to become perpetual. Moreover the so-called agricultural contracts ("invoieli agricole") could be collective and in spite of the fact that joint responsibility was outlawed, in practice if one of the peasants could not perform his labor obligations, somebody else from his family or another co-signer of the contract was required to complete the obligations in his place. To make things worse, the law from 1872 introduced an amendment according to which military assistance for contract enforcement became lawful. In other words the landlords could benefit from the direct intervention of the army, would the villagers run away or refuse to perform their labor obligations at the time established by the contract. From a juridical point of view this meant that labor contracts in agriculture were basically taken out of the sphere of the common law to which they normally belonged. There was not even one single provision in the law on the basis of which peasants could protect themselves against boyars’ abuses.

The peasants’ situation became so extreme that when a new law on agricultural contracts was finally enacted in 1882, the legislators felt it necessary to stipulate that Fridays and Saturdays were to be reserved for the peasants’ own needs. The same law abolished the army intervention for contract enforcement as well as the joint responsibility stipulation. Also the contracts could have been signed only for specific tasks that were clearly related to agricultural activities and which could not exceed what a peasant and his family could normally perform over a definite period of time. These contracts were to be renewed every year. Peasants were to be remunerated in money only and the sum they had to receive for their work could not automatically be retained by the boyars in exchange for an older debt (Mitrany 1968: 75, Opritescu 2000:88).

Up until the end of the 19th century one more law on agricultural contracts had been enacted in 1893. From a historical perspective, the most important aspect of this law was contained in its final amendment stipulating that labor contracts could be regulated by common law, would the parties to the contract so decide. It was the first recognition of an abnormal juridical situation, which had been maintained for almost thirty years.

This very slow evolution toward a certain normality in the legislation regulating the agricultural contracts was possible only on the measure that agricultural machines were slowly introduced in Romania and the population was growing, relaxing the demand for compulsory labor. Even so, it took several years and the constant and energetic actions of Liberals such as M. Kogalniceanu and C.A. Rosetti (both of whom were interior ministers), before more favorable laws to the peasants could be enacted.

The renting of land

The most conspicuous change in the organization of production in agriculture during the second half of the 19th century was the phenomenon of an increasing number of absentee landlords and as a consequence, the development of a very peculiar form of land renting. After 1877 more and more boyars began to prefer urban over rural life and the administrative and State
functions to the supervision of agricultural activities. Land renting became very popular. Only a handful of the boyars continued to live their lives in the old fashion manner, most of them, especially those owning very large estates of over 1000 hectares, opting to lease their land. In comparison to the Western practices, the leasing of land in Romania (as I already mentioned) took a peculiar form: it was seldom a direct economic relationship between landlord and peasant on the basis of which the latter would lease land against a certain established rent and the former would provided him in exchange with the necessary land and agricultural machinery. Most frequently it was a sublease operation. Landlords preferred to lease all their land to one single tenant, that very often was a foreigner and not a professional farmer and who in turn either subleased the land in very disadvantageous conditions to several farmers, or hired labor, or used a combination of both of these methods. The tenant did not dispose of his own agricultural equipment, which was to be provided by the peasants and as he usually rented the land for relatively short periods of time he was not interested to invest in such equipment. As a consequence the enhancement of agriculture’s technical level was not stimulated by this form of production organization but stalled at the level of rudimentary agricultural techniques that the peasants could afford to practice. The effect was the continuation of an extensive kind of agriculture in Romania and the maintenance of an exceedingly large labor force in agriculture.

Table 2.2
The share of land properties leased according to their size at the beginning of the 20th century

<table>
<thead>
<tr>
<th>Land property area (ha)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-100</td>
<td>24.09</td>
</tr>
<tr>
<td>100-500</td>
<td>50.17</td>
</tr>
<tr>
<td>500-1000</td>
<td>58.23</td>
</tr>
<tr>
<td>1000-3000</td>
<td>58.33</td>
</tr>
<tr>
<td>3000-5000</td>
<td>73.36</td>
</tr>
<tr>
<td>over 5000</td>
<td>72.43</td>
</tr>
</tbody>
</table>

Source: Muresan and Muresan 1998:134

As in the case of the agricultural contracts analyzed above, money payments of the rent were avoided as much as possible in favor of their equivalent in labor. In practice both the agricultural and the leasing contracts hampered the development of a monetary economy in the countryside and by this of the economic calculus typical for a modern society.

In 1907, forty three years after the land reform of 1864 had been enacted and had put into motion a very sinuous development process of the rural economy (enormously complicated by various ill-conceived or ill-applied agrarian laws) one of the most violent and unfortunate peasants uprising exploded in both the two main historical regions that made up Romania at the time (Moldavia and Muntenia). The uprising was mainly directed against absentee landlords and their tenants and was stopped only with the extremely brutal intervention of the army that shot an estimated 10000 peasants. However, it represented a very important turning point for the treatment of the agrarian question in Romania and for the change of the country’s political climate.
The need for the improvement of the peasantry’s standard of living as well as the numerous shortcomings of the former agrarian legislation were openly recognized in the Parliament by both the Conservative and the Liberal parties (Mitrany 1968). The same year, a new law on agricultural contracts was adopted, which substantially improved the 1893 law and limited drastically the privileges of the landlords, giving firm protection to the peasants against landlords’ potential abuses. Child work was expressly outlawed. Also, the same law established the creation of village commons on land supplied by the State domains as well as on land sold by landowners to villages at market value. As concerning the leasing of land, if before there was no legal limit in respect to the surface that could be leased by a person and in some notorious cases such surfaces reached as much as 237 000 hectares, now this surface was limited by an antitrust law to only 4000 hectares. Also, in 1908 the so-called Rural Office (“Casa Rurala”) was founded, a 50% State-owned institution with the purpose to help the transfer of land from large landowners toward the peasants. The office could buy land from the large landowners and re-sell it under advantageous conditions to the peasants, or it could mediate the selling and buying operations between landlords and peasants. The Office was also charged to inform the peasants about modern cultivation techniques and to encourage their use.

These were only some of the positive policy measures adopted by the Parliament shortly after the big peasant rising in 1907. Even if many of them did not get realized in practice or had only partial effects, they certainly indicated an increased awareness of the political class and State’s institutions in respect to the social and economic problems of the peasantry.

Overall, in the period from 1864 to the First World War, the extensive character of the Romanian agriculture deepened. Both the size of the total agricultural land and the country’s population almost doubled (Table 2.3). Under the increasing demand for grains of the international markets, the cultivation structure changed in favor of wheat and maize that occupied the largest surfaces with 37.5% and respectively 40.8% of the grain cultivated area. At the same time the surfaces occupied by grazing land and forests decreased markedly, a phenomenon that caused at his turn a decline in the raising of animals.

Table 2.3
Agricultural land and population in Romania in the period 1860-1915

<table>
<thead>
<tr>
<th>Years average</th>
<th>Agricultural land</th>
<th>Year of the census</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Arable land</td>
<td>Grazing land</td>
</tr>
<tr>
<td></td>
<td>ha</td>
<td>ha</td>
<td>%</td>
</tr>
<tr>
<td>1862-1866</td>
<td>1233-1234</td>
<td>3335</td>
<td>27.1</td>
</tr>
<tr>
<td>1896-1900</td>
<td>1301-1304</td>
<td>5845</td>
<td>44.9</td>
</tr>
<tr>
<td>1911-1915</td>
<td>1332-1337</td>
<td>6135</td>
<td>46.0</td>
</tr>
</tbody>
</table>

Source: Axenciuc 1996:47-48
Roberts 1951:355
Another aspect of the Romanian agriculture in the period under consideration was the extreme overall sensitivity of the Romanian economy to the evolution of the corn prices on the international market. On average, grain production - especially wheat - was not lower in Romania than in other important grain exporting countries of the time like the U.S. and Argentina, but it was obtained with more labor intensiveness at the expense of more advanced cultivation techniques. In 1905 about 75 percent of the country’s population was making its life from agricultural activities (Muresan and Muresan 1998:128). Agriculture was however characterized by underemployment. At the beginning of the 20th century the average number of working days in agriculture per person were estimated to be 91 days a year.

For the property structure, despite some visible efforts to distribute land to the mass of peasants, it remained very uneven. In 1905 large land properties of over 100 ha made up only 0.6 of the land proprietors in Romania but occupied as much as 48.7 percent of the country’s total agricultural land. On the other hand the share of peasant holdings with an average size of less than 2 ha was of over 47 percent (Table 2.4).

Table 2.4
The structure of peasants’ holdings according to the land area at the beginning of the 20th century

<table>
<thead>
<tr>
<th>Land area category (ha)</th>
<th>%</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landless households</td>
<td>23.9</td>
<td>23.9</td>
</tr>
<tr>
<td>0 - 2</td>
<td>23.2</td>
<td>47.1</td>
</tr>
<tr>
<td>2 - 5</td>
<td>36.0</td>
<td>83.1</td>
</tr>
<tr>
<td>5 - 10</td>
<td>14.0</td>
<td>97.1</td>
</tr>
<tr>
<td>10-50</td>
<td>2.9</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Muresan and Muresan 1998:133

The evolution of agricultural organization from 1917 to 1945

The most important event that boosted a new land reform, already urged by the Liberal Party after its coming into power by the very end of 1913, was the breaking out of the First World War in Europe in 1914.

The increased recognition by important political leaders of the time of the necessity to improve the economic situation of the peasantry, the need to ensure its participation to the war effort, and the tremendous effect of the 1917 Russian Revolution on the peasantry’s etat d’esprit in the neighboring Central and East European countries and in Romania in particular, made King Ferdinand to directly address the peasants. In a public address, King Ferdinand promised land to the peasants by the end of the war would they vigorously support the country’s war effort:

“Sons of peasants, who, with your own hands, have defended the soil on which you were born, on which your lives have been passed, I, your King, tell you that besides the great recompense of victory that will assure for every one of you the nation’s gratitude, you have earned the right of being masters, in a larger measure, of the soil upon which you fought.

Land will be given you. I, your King, am the first to set the example; and you will also take a larger part in public affairs” (King Ferdinand quoted in Roberts 1951:23).

The Agrarian Reform Laws of 1921

In June 1917, when more than half of the Romanian Kingdom territory was under German occupation and the government had withdrawn to Iassy in the still free territories, the
Parliament agreed to modify the Constitution and adopted the principle of large estates expropriation for “reasons of national utility”. Land expropriation began shortly after the war in 1918-1919 by decree and was completed by the passing of the Agrarian Reform Laws of 1921. The process lasted officially until 1926 although by 1930 land titles were still distributed to the peasants. A total of 6 million hectares had been expropriated and distributed to the peasants in lots of no less than 5 hectares. Land property was this time limited by law to 100 hectares in the hilly and mountainous areas and to 150 hectares in the plains. Only in exceptional cases, when landlord had made substantive investment in agricultural machines and used the most advanced farming techniques were farms allowed to consist of a maximum of 500 hectares, but such cases were rare (Table 2.5). Only about 10 percent of the country’s agricultural land was now held in farms of over 100 hectares as compared to over 40 percent before the reform. Briefly, by the laws adopted by the end of the First World War the large latifundia had finally come to an end. Small and medium holdings now occupied most of the agricultural land and this represented the most important change of the organization of production in agriculture.

Table 2.5
Farm size structure in Romania according to the 1930 Rural Census

<table>
<thead>
<tr>
<th>Farm size (ha)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5</td>
<td>74.9</td>
</tr>
<tr>
<td>5-20</td>
<td>22.6</td>
</tr>
<tr>
<td>20-50</td>
<td>1.7</td>
</tr>
<tr>
<td>50-200</td>
<td>0.6</td>
</tr>
<tr>
<td>over 200</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Muresan and Muresan 1998:192

The change was radical from both a social and a political point of view. On the one hand it modified markedly the production relationships in agriculture and on the other it contributed to the modification of the political structure of the country. The Conservative Party – representing the interests of the landed class - disappeared from the political stage and in December 1918 the Peasant Party emerged. Also, the principle of universal vote was introduced and therefore peasants were finally getting the right to vote. But from an economic point of view, as important as the changes had been, they were not informed by clear economic ideas on agriculture’s future development. The older organizational structure of agriculture dominated by large farms was not replaced because it was believed to be inefficient, but like before it was a result of the pressure of demographic, political and historical, and contextual factors.

After the 1921 Agrarian Reform Laws and the establishment of a widely peasant household-centered organization of production, the problems of the rural sector may be summarized as follows: 1) land fragmentation, 2) overpopulation in the rural areas and under-occupation of the rural labor force, 3) decreasing prices of agricultural products both internally and on the foreign markets, 4) weak development of the institutions of the rural credit, and 5) poor endowment of agriculture with needed agricultural equipment and therefore low labor productivity. These problems were to be addressed through an uneven mixture of state policies and interventions directed toward the support of the agrarian sector.
During the 1920s, some important institutions aimed at promoting the rural development were founded. Thus in 1924, Agricultural Chambers were formed in each judet (county), in 1925 the Union of Agricultural Chambers emerged in Bucharest and in 1926 and 1927 respectively the National Zootecniical Institute and the Institute for Agronomic Researches in Romania were founded. With insufficient funds provided by the state and an inadequate organizational structure (especially in the case of the Agricultural Chambers), these institutions conceived of as centers for the dissemination of information with regard to modern agricultural techniques and production organization achieved little of their generous objectives and remained generally ineffective and inaccessible to most of the peasants.

However, the problems generated by the lack of development of sound rural credit institutions (an issue largely ignored by the State during the 1920s) became the benchmark of the next decade.

By the end of the 1920s, bad credits in agriculture increased considerably and resulted virtually in a large share of the peasant population being unable to pay their debts. The breaking up of the world economic crisis of 1929-1933 aggravated the context. The situation was particularly critical. On one hand debt payment incapacity would have normally resulted in the lost of land and all property by large numbers of peasants with no or only very limited work alternatives outside the agricultural sector. On the other hand the banking sector was badly hampered, large banks that could not recuperate their credits were facing bankruptcy.

Between 1931 and 1934, several legal solutions were sought for the rural debt crisis. The technical solution to the debt crisis stood in the conversion of agricultural debts but the practical transposition of this principle into concrete legal measures was very controversial. As a result, five consecutive laws allowing for debts conversion were adopted between 1931 and 1934 in order to regulate the relationship between debtors and creditors, each of them completely denying or at least largely modifying the previous one.

The law that was finally retained and applied was the Law for the Liquidation of Agricultural and Urban Debts adopted in April 1934. The law established that debts should be paid back in a maximum period of 17 years by bi-annual payments at 3% interest rates. Half of the total amount of the debt was waved, irrespective to the size of land property. The law also stipulated that 60 to 70 percent of the debt could have been further waved would the debt be paid off in five and respectively two years. According to the Ministry of Justice statistics, over 2.47 million peasants (i.e. 71.4%), most of them having properties of less than 10 hectares asked to be considered under the treatment of the law (Muresan and Muresan 1998:235). The numbers are indicative for the dimensions of the agricultural debts’ crisis phenomenon. Moreover as several scholars noted, most of the debts had been contracted not for productive reasons but mainly for the covering of basic, subsistence needs and did not change significantly agriculture’s productive capacity or overall productivity (Roberts 1951; Muresan and Muresan 1998; Opritescu 2000)

The Great Depression of 1929-1933 and its effects on agriculture

The economic crisis of 1929-1933 affected agriculture in major ways. Internally, the prices of agricultural products fell markedly. By the end of the crisis (in 1934) this represented less than half of their level in 1929. The prices of industrial products deteriorated much less. Moreover, the prices of industrial products required by agricultural activities fell even less during the crisis, a situation that indicates the massive deterioration of the purchasing power in the agricultural sector and the amplitude of the price scissors (Table 2.6).
### Table 2.6
The evolution of price indices of agricultural and industrial products and of industrial products required by agriculture for selected years

<table>
<thead>
<tr>
<th>Year</th>
<th>Price indices of agricultural products</th>
<th>Price indices of industrial products</th>
<th>Price indices of industrial products required by agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1931</td>
<td>50.8</td>
<td>72.0</td>
<td>86.6</td>
</tr>
<tr>
<td><strong>1934</strong></td>
<td><strong>44.1</strong></td>
<td><strong>63.4</strong></td>
<td><strong>86.6</strong></td>
</tr>
<tr>
<td>1935</td>
<td>48.4</td>
<td>75.2</td>
<td>90.2</td>
</tr>
<tr>
<td>1936</td>
<td>54.0</td>
<td>-</td>
<td>95.4</td>
</tr>
<tr>
<td><strong>1938</strong></td>
<td><strong>67.1</strong></td>
<td>-</td>
<td><strong>99.2</strong></td>
</tr>
</tbody>
</table>

Source: Muresan and Muresan (1998:291) and Roberts (1951:177)

On the foreign markets too, the prices of agricultural products fell sharply, a situation with tremendous effects for all the agrarian states in the Balkans. In spite of the fact that between 1920 and 1939 Romania’s structure of exports changed in important ways, with cereals gradually losing ground in favor of oil and other industrial products, the share of agricultural products remained significantly high over the entire period (Table 2.7). As a consequence, the Romanian economy continued to be very sensitive to the evolution of the international prices of agricultural products and in particular grains. According to Roberts (1951) during the 1929-1933 economic crisis “the average price per metric ton of Rumanian exports fell in 1934 by 62 per cent of its 1922-1930 average, whereas the price of imports fell by only 33 per cent in 1936” (177). Obviously, the deterioration of the exchange rate between domestic and foreign products sharply restrained the trade-based sources of economic growth in Romania.

### Table 2.7
The weight of Romania’s main export products in the total exports for selected years

<table>
<thead>
<tr>
<th>Year</th>
<th>Grains and derivates (%)</th>
<th>Oil Products (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>67.2</td>
<td>19.1</td>
</tr>
<tr>
<td>1925</td>
<td>25.4</td>
<td>19.8</td>
</tr>
<tr>
<td><strong>1930</strong></td>
<td><strong>36.2</strong></td>
<td><strong>36.6</strong></td>
</tr>
<tr>
<td>1931</td>
<td>41.4</td>
<td>30.8</td>
</tr>
<tr>
<td>1934</td>
<td>22.2*</td>
<td>52.8</td>
</tr>
<tr>
<td>1935</td>
<td>24.5</td>
<td>51.7</td>
</tr>
<tr>
<td><strong>1939</strong></td>
<td><strong>31.9</strong></td>
<td><strong>41.9</strong></td>
</tr>
</tbody>
</table>

Source: Muresan and Muresan (1998:228, 296)

Note: * Lowest level for the period 1920-1939.

From 1930 to 1939 the combined share of grains and oil products in total exports never fell below 72.2%.
The Great Depression not only resulted in the stabilization of the international prices of agricultural products at much lower levels than before its breaking out, but it also resulted in the adoption of agricultural protectionist policies by the industrialized European countries. Between 1928 and 1931 Germany, France, and Italy had introduced high tariffs for the imports of various agricultural products. Between 1930 and 1933, the Balkan countries, reunited in the so-called agrarian block, tried to negotiate more favorable conditions for the export of their agricultural products, but their efforts basically remained unsuccessful. The failure of international negotiations pressed the Balkan countries to resort to similar protectionist and price-supporting measures for their agricultural products. In Romania this situation inaugurated a period of constant state intervention in favor of the agricultural sector. In 1932 import controls had been introduced, the state constantly encouraging exports through export primes and the removing of export duties on agricultural products. In 1934 the Office for the Export of Cereals was created and placed under the direct control of Government. Moreover for some consecutive years, through the newly created State Cereal Commission, the state bought the surplus of grains thus barring the falling down of their prices. After 1935, minimum state-guaranteed prices for agricultural products were introduced aiming to ensure stable revenues for the peasants (Mitrany 1951, Muresan and Muresan 1998).

These measures somewhat alleviated the situation of the rural sector but reached only marginally the mass of the poor peasants caught in a subsistence kind of agricultural production. First, the bulk of the measures benefited the middle and especially large producers only which were connected to the grain exports markets, while having little effect on the small peasant properties (Roberts 1951). Export bounties targeted the production of wheat only, while the small producers were predominantly cultivating predominantly maize. Second, in spite of the fact that the whole Romanian political spectrum shared the idea that the structure of agricultural production in Romania needed to be redirected toward the raising of livestock and the cultivation of better valued crops on the international markets (e.g. industrial plants, soy, sugar beet, and fruits) and that the area under grain cultivation needed to be gradually restricted, the perverse effect of the price-supporting policies was the maintenance and even the slight increase in the cultivation of cereals and wheat in particular (Roberts 1951; Muresan and Muresan 1998). Between 1930-1934 84.4% of the arable land was under grain cultivation. This area decreased to only 83.3% between 1935-1939. At the same time between 1930-1934 wheat represented on average 28.1% of the total area under grain cultivation, maize 43%. Between 1935-1939, as a result of the price supporting policies, the area under wheat cultivation increased to 32.1% and the area under maize cultivation to 44.7% (Axenciuc 1992:51-53, 519-520). Definitely these numbers show the weak capacity of successive governments to put into practice the desiderata proposed by several agronomic studies and internalized by the political parties themselves as well as the reactive, non-strategic character of the measures undertaken by the state after the Great Depression.

If the practice of state intervention in the form of price supporting measures, favorable export tariffs, and export bounties for agricultural products was constantly reinforced over the 1930s, it should be noticed that other types of agricultural policies, more institutional in character, were also tried even if only with limited impact. First, some laws aiming to enforce rural cooperation and land consolidation were adopted over the fourth decade. Second, after the agricultural debt crisis of the early 1930s, rural credit was somewhat more systematically approached and reorganized.
It should be noted that the origins of both the cooperative institutions and the institutions of the rural credit in Romania went back to the 19th century. The cooperative and rural credit institutions created during the third and fourth decade of the 20th century (to be discussed below) were built on their foundations and represented a natural counterpart to the 1921 land reform. They tried to cope with the problem of extreme land fragmentation that established thereafter as well as to address the problem of peasants’ endemic poverty. What was new, after the 1921, however was the increasing state influence over both the cooperative movement and the institutions of rural credit. Over the 1920s, both of these sets of institutions had become more and more engulfed by restrictive state regulations, while during the 1930s and especially after the overall interventionists trends that emerged with the Great Depression, their nature had been much changed. Their spontaneous and grass roots character lost much of its vigor and they became rather a reflex of state regulation that boosted their emergence and kept them alive thereafter.

Attempts for land consolidation and enforcement of the rural cooperation movement

In July 1931 the Law for the establishment of agricultural associations was passed by the Parliament. The law aimed to encourage peasants to pull land in associations, a measure that was obviously trying to solve the problem of increasing land fragmentation brought about by the Land reforms of 1921 and which was aggravated by the further splitting of plots through heritage. The law allowed for preferential credits toward such associations if they would form out of separate plots an economic whole and if they would follow an economic plan previously approved by the Ministry of Agriculture. Whether or not the requirements were too complicated to follow, the peasants lacked sufficient information, or the law was simply adopted at a bad moment - the beginning of the Great Depression and the breaking out of the agricultural debts crisis – it had very little practical impact. However, its adoption reveals the authorities’ awareness with respect to the problem of land fragmentation and subsistence agriculture. In a similar vein, but without greater success in March 1937 a law banning the subdivision of land in plots smaller than 2 hectares was adopted. Its enforcement proved however exceedingly difficult for the authorities.

During the period of King Carol’s dictatorship (1938-1940), the policy makers’ preference for medium and large-scale farming was for the first time after the 1921 land reforms openly reasserted. In 1938 a new Constitution was adopted and further land expropriation and redistribution were expressly prohibited. Moreover, King’s Carol regime openly asserted the importance of medium and large farms and its intention to form indivisible estates of about 10 hectares in area. However, aside from a law adopted in December 1938 by which the state could buy land and resell it in plots no smaller than 15 hectares to Romanian subjects under very strict selling conditions, little was said about the technical steps by which such an objective could be reached. The selling conditions imposed by the state referred to the impossibility to subdivide the land by later selling operations as well as transferring it to more than one heir. The law had little impact, if any, on the large mass of small land proprietors unwilling to sell their plots to the state and unable to acquire large estates through buying operations. Kings Carol’s dictatorial regime came to an end in 1940, before many of its plans in respect to agriculture – most notably his intention to diversify the structure of cultivation and increase total agricultural output by systematic, yearly investments in agricultural machinery – were managed to be put into action.

During the Second World War period (corresponding in Romania to the Fascist period and to two political dictatorial regimes) the agrarian question and the problem of extreme land
fragmentation was obviously second in importance to that of mobilizing it for the war effort. Nevertheless, in June 1942, a new law for the organization of agricultural associations was adopted. It was very similar in content with the law of 1931 already mentioned. The law encouraged peasants to pull land and form associations that were authorized to buy agricultural machines, seeds, fertilizers and so on and to sell the common production. As in 1931, the law provided for preferential credits under very strict credit conditions. Again, the associations were placed under the strict administrative control of the Ministry of Agriculture and could not operate as authentically independent economic units. The bureaucratic character of the law, the many restrictions it imposed as well as the fact that it had been adopted during the war period made the law rather ineffective. By 1944 only an estimated 200 associations had formed as an effect of the law.

The institutions of rural credit

The institutions of rural credit in Romania for the period under consideration can be divided into two categories: a) those originating in the cooperative movement, the so called rural credit cooperatives that later developed in popular banks, and b) private banks that directed their credits with predilection to agriculture. Notably, the banks belonging to either of these two categories found themselves under the control and influence of the State early after their creation, or were created from the very beginning with important State contributions to their capital (Mitrany 1930).

As already mentioned the first institutions of rural credit in Romania took the form of credit cooperatives that transformed later into popular banks. They established in Romania as early as 1891 and 1892 respectively and even earlier in the Romanian provinces still belonging to the Austro-Hungarian Empire which actually served as a model. By the break of the First World War the number of rural credit cooperatives had increased to over 700 and represented genuine grass roots organizations built “on the initiative and with the means of the villagers” (Mitrany 1930: 378).

The 1903 law “Concerning Rural Popular Banks and their Central Office”, the first to directly regulate the organization of rural credit in Romania, aimed to link these popular banks in a network of rural credit institutions. In fact though, the main effect of the law was the placement of rural banks under direct state control through the newly created Central Office.

State was to provide the popular banks with funds through the Central Office under strict administrative conditions stipulated in the law. The Central Office begun gradually to operate as a sort of central bank for the popular banks. The system that resulted therefore was hierarchical in structure with the Central Office subordinated to the Central Bank and the popular banks under the subordination of the Central Office. By the end of 1927 there were 4773 popular banks subordinated to the Central Office. The organizational structure has become even more hierarchical when federations of popular banks formed and interposed themselves between the Central Office and the popular banks.

This organizational structure had wide implications: state intervention in the administration of the rural credits grew steadily and bureaucracy hampered credit allocation. Interest rates charged by the popular banks, although generally three times smaller than in the private banking sector, was still artificially increased by the many intermediate levels interposed between the Central Bank, that provided a substantial part of the funds to the Central Office, and the individual borrower. State influence grew not only as a result of the fact that most of the
funds were now provided by the state but also because the personnel of the Central Office was nominated in big measure by the State.

This situation was maintained until 1929 when a new Law for the organization of Cooperation is passed. This law replaced the Central Office of the Popular Banks by a new institution of rural credit designed to enjoy large autonomy - The Central Cooperative Bank – having credit functions toward the entire cooperative movement in Romania. The voting power of the state in the managerial board was to be limited to one third of the total votes despite the fact that half of the capital of the bank was to be still provided by the state. The overall performance of the bank was however extremely poor if measured from the point of view of the amount of loans granted. Its administrative organization took a very long time as it had to absorb the actives and passives of the former Central Office while establishing at the same time its own organizational structures. Its credit operations were therefore overly cautious and the amount of credits granted to the rural sector exceedingly low. The breaking out of the Great depression only aggravated this tendency.

Rural cooperation did not limit itself to the credit cooperatives. The cooperative associations were in fact very diverse. A variety of forms including consumer cooperative societies, cooperative societies for production, cooperatives of production and consumption, landholding and land-purchasing cooperatives coexisted at the same time. They were organized on the model of the rural credit cooperatives in regional federations coordinated by a Central Office.

Also, other types of cooperative organizations replicated the same organizational model. On the model of the popular banks, production and consumers’ cooperatives were reunited under the Central of the Cooperative Societies for Production and Distribution established in 1919. As in the case of the Central Office of Popular banks the personnel of this Central Office too was to be nominated by state authorities, a fact that again deepened the lack of genuine political and economical autonomy of the cooperative movement in Romania.

In respect to the institutions of the rural credit, it should be mentioned that over the 1920s and more firmly over the 1930s, rural credit although disproportionately small as compared to the real needs of agriculture or the capital directed toward industry, increased considerably. Another notable trend was the continuous growth of state intervention in the allocation and administration of rural credit.

The 1945 Land Reform

The last redistribution of land in Romania before the start of the collectivization process was conducted by the first Communist regime – the Groza government that came into power in 1945. This last agrarian reform implying land redistribution toward the peasants was decided through a decree-law on March 22, 1945, and was one of the first measures undertaken by the new Groza government. It was largely justified not by the Communists’ credo in small proprietors in the countryside but as a tactical step undertaken in order to ensure if not the loyalty of the large peasant population, at least its lack of opposition. In fact, the reform went against the Marxist theory that held as a dogma a clear-cut, direct relationship between property size and efficiency. As Roberts bluntly characterizes the situation: “[…] it was not a Rumanian reform but had its sources in the Soviet Union, and […] its immediate aims were political not economic” (297, emphasis added).
The reform addressed specifically the poorest farmers as land was to be redistributed to those having farms of less than 5 hectares only. Land was *confiscated* (i.e. the expropriation was without compensation) from all land proprietors owing more than 50 hectares irrespective of their working the land or not. This meant that, in comparison to the 1921 land reform, the maximum farm size permitted by law had been actually cut down to half. As in 1921, exceptions were made in the case of well-off farms that could constitute model farms under the direction of the Ministry of Agriculture. These farms were allowed to maintain up to 150 hectares but this limit was much lower than the maximum of 500 hectares allowed for model farms by the Agrarian Reform Laws of 1921. Beside the general criteria that all land properties in excess of 50 hectares were to be expropriated, land belonging to absent landlords, land in excess of 10 hectares that had not been worked by the owner himself for the last seven consecutive years, land of war criminals, of German citizens or Romanian citizens of German ethnic origin that had collaborated with the Nazis was to be entirely confiscated. In fact many abuses were made and large numbers of German ethnics suffered expropriation on the basis of their ethnic origin only and a significant number of them were deported to Siberia.

The total land surface expropriated amounted to roughly 1.47 million hectares of which about 1.1 million were redistributed to landless peasants and to peasants holding less than 5 hectares, while the rest constituted the state reserve and was to be used for the establishment of the first state farms built on the Soviet model (the so called *gospodarii agricole de stat - GAS*) and the first state stations for agriculture machinery and tractors (*statiuni de masini si tractoare - SMT*) (Muresan and Muresan 1998:338, Turnock 1986: 180). A total of over 900000 peasants benefited from land redistribution and received plots of about 1.3 hectares on average (Roberts 1951: 296). Moreover, confiscation was extended to the agricultural machinery and livestock existent on the expropriated land and was proportional to the surface of land to be given up. The majority of the machinery – for instance 3135 tractors, and 2533 ploughs that were confiscated (Muresan and Muresan 1998:337) - was to constitute the patrimony of the newly established SMTs, only a minor share was further redistributed to the categories of peasants targeted by the law.

**Table 2.8**

*Structure of Land Ownership by Size, 1948*

<table>
<thead>
<tr>
<th>Size of Property</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 0.5</td>
<td>901016</td>
<td>16.4</td>
</tr>
<tr>
<td>0.5 – 1</td>
<td>1100852</td>
<td>20.0</td>
</tr>
<tr>
<td>1-2</td>
<td>1473785</td>
<td>26.8</td>
</tr>
<tr>
<td>2-3</td>
<td>838286</td>
<td>15.2</td>
</tr>
<tr>
<td>3-5</td>
<td>697318</td>
<td>12.7</td>
</tr>
<tr>
<td>5-10</td>
<td>363678</td>
<td>6.6</td>
</tr>
<tr>
<td>10-20</td>
<td>88335</td>
<td>1.6</td>
</tr>
<tr>
<td>20-50</td>
<td>22698</td>
<td>0.4</td>
</tr>
<tr>
<td>Over 50</td>
<td>15170</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>5501138</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Galopentia and Onica, 1948 in Roberts (1951: 297).

Overall, as expected the proportion of farms between 1 to 5 hectares increased (Table 2.8). The agrarian census of 1948 found that they represented 54.7 percent of the total number of
agricultural exploitations while the proportion of large holdings of over 20 hectares had further decreased to only 0.7 percent of the number of agricultural exploitations in Romania (Galopentia and Onica 1948:11). As in the case of former land reforms, the law stipulated the impossibility to sell, divide, lease, or mortgage the land received.

Economically the results were disappointing. Peasants’ land hunger, although not at the origin of this last redistributive agrarian reform, was not satisfied. Land holdings of less than 3 hectares - considered by Romanian economists of the time too small to ensure the subsistence level for a family of four - still represented 78.4 percent of the agricultural exploitations in Romania. Moreover, the timing of the reform and the way it was conducted by the Communist Groza regime invited too many irregularities, and spontaneous take-over of land and the immediate effect was a decrease in production. In the long run perspective, the 1945 reform did not address the issue of low labor productivity in agriculture, over-fragmented farming, and agriculture’s overpopulation. But, most likely, these were not problems that the reformers aimed to solve. As Mitrany (1951) remarked for the very similar course of events that had taken place in 1921 during Russia’s collectivization “the peasant had got practically all the land, but each had only a little” and “the peasant revolution had been only accepted because that was inevitable, and also because it was a convenient radical means of destroying the bourgeoisie economically. But Marxism in general and the Bolsheviks in particular had no ready agrarian program to fit the peasants revolution” (65-66). Only three years later the drive toward collectivization started in Romania and was to fundamentally change the organization of production in agriculture.
CHAPTER THREE: THE COMMUNIST PERIOD (1945-1989)

The Collectivization of Agriculture: From Small Peasant Holdings to Large-Scale State and Collective Farms

This chapter focuses on the communist period, a time of radical and dramatic changes in Romanian agriculture and in the economy as a whole. The objective will be twofold: to outline the main concepts and theories underlying the communist agrarian reform experiments, and to investigate the policies implemented and their overall outcomes. Implicit in this approach will be the idea of policy learning from experience and policy analysis.

Probably the best starting point for a discussion of the socialist ideas and theories about the agrarian sector, and more specifically, about reform in the agricultural sector, is the classical debate that ensued initially in Russia (during the second half of the 19th century between Marxists and Populists) and that diffused later on in the East European space. The focus of the Marxist - Populist debate concerned the role of agriculture in development. Another focus was the prospects for agrarian countries such as Russia and other East and Central European nations to follow western patterns of development, and also the policy solutions amenable for the characteristic problems of that area. What is significant in the context of the present analysis is the relevance of the Marxist theoretical corpus of ideas and of the Populist (narodniki) reaction to them for the understanding of the present problems of development. In fact, many of the theoretical problems that have been raised during this debate constantly resurfaced in the discussions of agricultural reform in Eastern Europe and in Romania.

Marxian theory of agricultural development had at its core the general "law of capital concentration" and thus favored the idea of large-scale agriculture. Its correspondent agrarian strategy consisted in land nationalization and forced collectivization. The Populist movement (known in Romania for instance as "poporanism") attacked the Marxist doctrine of agricultural development and especially opposed the idea of collectivization. The populist advanced a model of society that was completely centered on the peasant and on the social organization typical to peasant societies. In Romania for instance, a leading exponent of this line of thought summarized the idea as follows: "our economic evolution, as the whole structure of the State, will necessarily have to retain its specific peasant character. Hence economic progress must tend above all to organize the nation's economic life on peasant foundations [...]" (Stere, quoted in Mitrany, 1951, p.39). In later writings Stere advocated the need for “technical progress in agriculture” and pointed out the limited capacity of the peasant household to acquire modern equipment. In a publication from 1932 he commented: “All this requirements [the introduction of complex and costly machinery] cannot be realized by the isolated peasant households, they presuppose capitals, technical management, cultivated surfaces that by far exceed the resources of individual peasant households” (Stere, quoted in Murgescu 1990: 191). Populists thought that the solution to the modernization of agriculture could reside in the development of rural cooperation, which was regarded as an indispensable condition for the improvement of the peasant situation. In Romania, the idea of rural cooperation translated at the political level and actually constituted the core of the Peasant Party’s doctrine (Murgescu 1990: 262-271).

Although more favorable to the idea of industry’s development, Marxists could neither overlook nor overcome the agrarian problem at a theoretical level. Their approach failed to explain how the East could reproduce the Western pattern of development. More precisely, Marxists theory did not provide any explanatory mechanism of how to create a large vigorous
industrial sector able to absorb on a voluntary basis large parts of the rural population. Moreover, as the Marxist aim was to build up a communist society through social revolution and the socialization of means of production, the accent on the role of industry in development was more instrumental than substantial (Mitrany 1951). The theory emphasized that industrial workers would serve the revolutionary goals much better than the conservative peasants, and this was one of the main reasons for which, as opposed to the populists, Marxists favored industrial over agricultural development. However, Marxists were convinced that the institution of private property had to be eliminated. In short the Marxists wanted to see the western pattern of development unfolding in the East but without the western institutions (i.e. private property and markets).

The debate is interesting, as it makes evident that development was believed to not be institution-related, but rather the result of adequate organizational forms of production. As Mitrany (1951) persuasively demonstrated, Marxist solutions to development were in sharp contradiction with the peasant aspirations for land ownership, and with the intent of the first land reforms conducted in the East and Central European countries during the second half of the 19th century and up to its end.

The first wave of land reforms had put an end to the feudal agrarian relationships governing the Eastern and Central part of the continent and made a large number of peasants, owners of the land for the first time. As a consequence, at the end of the 19th century and during the first decades of the 20th century Marxist socialists gained little or no support from the peasant population (and this was the case in the western countries also) as a result of their implicit or explicit accent on land nationalization. In practice, they had to accept the maintenance of private property in agriculture as a temporary solution, and even to initiate land reforms (i.e. redistribution of land from big landlords toward large numbers of peasants) in several successive waves out of pure politically opportunistic reasons (Mitrany 1951; Roberts 1954).

But, in fact, neither Marxists nor Populists were able to design an industrial pattern of development for their countries. Although Marxists had a better sense of the role of industry in development and the trends in the global-economy, they dismissed the importance of market institutions, especially the role of private property in development, and probably stumbled upon the importance of industry formation out of purely ideological reasons. On the other hand, while the Populists showed in general respect for private property and in particular for private land ownership, they were reluctant to recognize the need for industrial development and overemphasized the possibility of an agrarian based pattern of development.

The sketch of the Marxist-Populist debate outlined here was intended to show the ideational origins of practices of agricultural development that were to be implemented only much later, at the end of WWII, when communist regimes took power in Central and Eastern Europe. The debate corresponds to what Pryor (1992) calls the classical phase of the Marxist theory of agricultural development. Following the periodization proposed by Pryor (1992) in “The Red and the Green” the next section outlines the main turning points in the evolution of Marxist theory and practice of agricultural development and its reverberations in the Romanian context.
Outline of the Marxist Theory and Practice of Agricultural Development and Collectivization

According to Pryor (1992) the evolution of the Marxist theory of agricultural development can be divided into three distinct phases: the classical phase, the implementation phase, and the reassessment phase.

I. The classical phase took place before the Bolshevik Revolution in Russia and was defined by efforts to conceptualize the long-run aspects of agricultural development. The corpus of ideas developed during this early period though very general and vague greatly influenced the decisions toward collectivization later on. During this phase, a long-lasting debate in economic theory - the influence of farm size on economic efficiency in agriculture - was launched. Marx depicted large farms as being more productive small farms because they allowed for economies of scale as a result of greater division of labor, more extensive mechanization, and easier access to agricultural technology. Moreover, large farms were seen as the equivalent of factories in the countryside and the organization of production as based on similar principles. As Mitrany (1951) puts it: The core of Marx economic analysis, as of his theory, was an elemental belief in the superiority, and hence the necessity, of large scale production. This was clearly true in industry and could not but be true also in other fields of production. No part of Marx’s economic theory was more uncritically accepted than this” (10).

Marx and Engels contended that the general evolution of agriculture would follow inexorable trends that conformed to general laws of historical evolution. Pryor (1992) identified five major theses concerning agricultural development in the writings of Marx and Engels:
1. The average land area of farms would become larger.
2. The farm sector would become increasingly differentiated, with the land being held by ever fewer people (concentration and centralization of capital).
3. The smallholder could not compete against large farms and would lose his land ("become annihilated"),
4. The small farmers would be transformed in proletarians.
5. The form of payments to the landlord would change from a system of labor rents to sharecropping to fixed rents in money.

Moreover, Marx’s underlying sociological conception of the peasantry emphasized its reactionary conservatism, anachronism in the context of the industrial revolution, and its non-economic behavior (i.e. non-capitalistic, non-market, self-sufficiency orientated behavior). The Communist Manifesto for instance speaks about the "idiocy of rural life" and it is worth noting that this idea that the behavior of the peasant is fundamentally non-economic persisted in the economic literature until late in the 20th century (Schultz 1964,1993).

II. The implementation phase was subdivided by Pryor into a "canonical phase" (comprising the writings of Marx, Engels, Kautsky, Lenin), and the phase of the "later Marxist writers", or the Marxoid phase (including the writings on agricultural development of Stalin, Mao, and Cabral). Pryor argues that the ideological debates that took place in Russia and several Eastern European countries around Marx's theses and their implementation influenced the development strategies of many Third World countries.

a. The canonical writers

On similar lines with David Mitrany, Pryor points out the political implications and practical difficulties posed by the vagueness of Marx and Engels' writings for what he calls “the canonical writers” – often notable members of various European social-democratic parties.
Particularly in the eastern part of the continent socialists had to face the very practical questions of how and when the collectivization of agriculture should proceed. As Marxist theory offered little guidance in this respect, many of the canonical writers developed independent views as to how theory and practice could be reconciled. At the turn of the century some of the leading social-democrats, so for instance Eduard David in Germany and Otto Bauer in Austria, argued against the need for agriculture’s collectivization and claimed that the peasant smallholdings proved their economic superiority, and that large scale organization is not as desirable in agriculture as it is in the industry. In Russia, Lenin too changed his position in respect to agriculture several times from the extreme view of the necessity of total land nationalization to a position similar to that held at times by Kautsky - to help peasants understand the benefits of collectivization through education, a process that Lenin feared could take an unforeseeable long time. In Romania, the socialist Constantin Dobrogeanu-Gherea could also be considered among Pryor’s canonical writers. His best-known book Neoserfdom, published in 1910 provided an astute account of the social and economic contradictions brought about by the adoption of Western legal institutions (the superstructure) in a context in which feudal relations of production (the base) still characterized the vast majority of the population. According to Gherea the mix of Western legal institutions with feudal socio-economic structures resulted in a new “monstrous mode of production”, in which a superficial appearance of Westernization masked the vast continuation of feudal practices and relations of production. But, Gherea’s main aim was to analyze the prospects of Marxism in the context of the backward, agricultural countries of the East. In Gherea’s view an economically independent peasantry was a precondition for the development of capitalist relations of productions in agriculture - a necessary precedent of the Communist mode of production - in these countries. However, he saw the empowerment of the small farmer only as a temporary solution and remained a strong supporter of the industrialization path. Announcing a theme of the post Second World War center-periphery theories, he noted: “A country eminently agricultural is a country eminently poor and socially and economically backward” (Gherea, quoted in Mitrany 1951: 28).

Karl Kautsky, one of Marx’s most notable disciples, argued in a book published in 1902 that the expropriation of small farmers would eventually not be necessary, claiming that collectivization could occur on a voluntary basis once the peasants realized the benefits of cooperative farms. However at times he doubted that peasants would ever arrive at such organizational arrangements if not forced to do so (Pryor 1992: 43). Kautsky also developed the argument that service cooperatives might be sufficient to ensure economies of scale in a small holdings-based agriculture (Pryor 1992: 44), a rather undesirable possibility given the Marxists' hope to see the peasants transformed into proletarians. Some twenty years later, in a book published in 1923 the Russian agricultural economist A.V. Chayanov provided empirical arguments for the idea that the optimal farm size depended on the type of farming activities. His findings also favored the creation of service cooperatives as a way to capture economies of scale by the peasant households. Chayanov’s work was extremely influential although as Murgescu (1990) notes, “it did not correspond to the way in which I.V. Stalin conceived the cooperativization of agriculture” (252, note 123) and did not therefore shape agricultural policies during the Communist period. However, as the same historian notes, in Romania, Chayanov marked profoundly the thinking of the economist Virgil Madgearu, a leader of the Peasant Party that occupied various ministerial functions between 1928 and 1933. Madgearu had already theorized the peasant household as a distinct form of economic organization, the economic superiority of which he claimed, derived from the absence of the economic category of salary.
The work by Chayanov, deepened his conviction that the peasant household needs to be treated as a distinct national-economic category and that a combination of economic and sociological analysis is required for the proper understanding of its way of operation (Murgescu 1990:252-262).

b. The Marxoid phase

Pryor makes the interesting comment that under the pressure of the need for institutional design and according to the internal context of their respective countries the writers he included in this phase, “often isolate one key factor of agricultural production on which to peg the major arguments [in favor of collectivization]: for Stalin it was land, and the most important institutional change was to combine small farms into much larger units; for Mao it was labor, and the most important policy step was to combine the labor efforts of previously isolated farmers; and for a disparate group of theorists (including Nikolai Bukharin, some members of the Left Opposition, and, a generation latter, Edward Kardelj in Yugoslavia) it was capital, and the most important institutional change was to create a capital intensive agriculture before collectivization could be successful” (Pryor 1996, p.41-42). For the agricultural policies followed in Romania shortly after the coming of the Communists to power, Stalin’s conception on collectivization was definitely to have the heaviest influence.

III. The selective reassessment phase refers to the period that began in the 1980s in several Marxist regimes around the world and in which some of the basic economic arguments for collectivization began to be questioned. The main discussions gravitated especially around the question of whether the policy of extracting surpluses from agriculture in order to finance industry (i.e. to set the terms of trade against agriculture in order to finance the development of industry) was suitable. It should be noted however that some authors rejected the idea that this policy ever took effect in practice. In a comprehensive study of the Communist agriculture in Eastern Europe and the former Soviet Union, Gale Johnson (1993) argued that the collectivization of agriculture did not contribute to the industrialization of the Soviet Union during the 1930s although he conceded that we may speak of exploitation in the rural sector (an estimated 5 million people died of famine in 1932-1933 alone and 2 other million kulaks were deported to Siberia and other remote areas of the former Soviet Union). Johnson brought evidence in favor of the idea that Stalin's agrarian policies resulted in the transfer of resources from the rural to the urban sector, including the industrial sector, but that this transfer did not constitute a base for capital formation in the industrial sector. Also according to the same author, this conclusion could be generalized for all the Central and Eastern European countries because they narrowly followed the Stalinist model of agricultural collectivization. Moreover he argues that after 1960 when collectivization had generally come to an end across the region, a new era also begun: as a rule, the subsidization of agriculture become inevitable and this policy worked uninterruptedly up to the fall of the communist regimes in 1989. An important piece of evidence for this switch in policy and in the treatment of agriculture is the increase in the share of investments made in agriculture. Despite the fact that agriculture's share of total national gross productive investment was not uniform among the ECE countries and the Soviet Union (in the Soviet Union this share was continuously increased over the time, reaching almost 30% in the late 1970s, while in countries such as Bulgaria and Romania this share decreased continuously to something less than 20%) in all the countries it was still superior to the contribution of agriculture to the national net material product. Moreover, Johnson shows, the real wages in agriculture were constantly much higher than the relative labor productivity in agriculture. However, the data provided for the relative wage in agriculture look exceedingly high. The
conclusion that "agriculture is probably more capital intensive than the rest of the economy in these countries" (Johnson 1993, p. 16) remains very questionable.

The analytical problem of the relationship between agriculture and industry in development aside, it is worth noting that during the selective reassessment phase of the 1980s the communist policy-makers came to realize that the organizational means to reform State agriculture had been exhausted and that the contribution of the private sector to the total agricultural output could no longer be underestimated.

Outline of the Evolution of Agriculture in Romania during the Communist Period

At the beginning of the 1950s when the collectivization process started more vigorously in Romania, more than 70% of the active labor force was employed in agriculture. According to the FAO estimation in 1960 this proportion decreased to 64.5% and further to 49% in 1978. Presently, according to a study conducted by the Romanian Commission for Statistics at the end of 1998 about 38.1% of the active labor force was employed in agriculture, hunting, forestry and fishing while the rural population as a share of total population was still as high as 45%. These bare data give us a good first hand image on the socio-economic structure of Romania. Except Albania no other former communist European country had a larger share of its active population employed in agriculture. As has been previously showed this proportion was decreased by a very accelerate pace of industrialization. The collectivization of agriculture was practically completed in 1962 but in contrast with other countries the substitution of capital (machinery) for labor was much lower in the Romanian agriculture. In consequence, in spite of the radical change in land ownership that collectivization brought about, a large part of the population continued to be employed in agriculture. In Bulgaria for instance, that entered the communist era with a comparable low level of industrialization, the collectivization process has been accompanied by a larger rate of substitution of capital for labor than in Romania and in consequence the country’s urbanization process was more rapid and the capitalization of agriculture more noticeable (Swinnen, 1997). If in 1978 the active population employed in agriculture represented 49% of the total active population in Romania, in Bulgaria it represented only 35.7%.

Romania’s industrialization policy was conducted at the expense of very high sacrifices from the part of the rural population. The effort required from the rural sector in order to supply the industrial sector with cheap food was tremendous and necessitated a strict control of the agricultural deliveries until the beginning of the 1960s. The economic burden was even more accentuated up to the end of the 1950s as Romania had to pay war damages to the Soviet Union and the confiscation of the entire crop of the farmers - the so called obligatory quotas - by the State was a common practice. On the other hand the capital formation in the industrial sector was based on the indirect taxation of the rural agricultural output: the prices of agricultural products were fixed by the state at very low levels while the prices of the industrial products were permitted to be much higher. In other words the terms of trade were set against agriculture. This was a general policy followed by all the communist countries with different degrees of intensity. In the case of Romania, given the initial low level of industrialization the country started from, this brutal development strategy played a very important role. As Wädökin (1988) shows: “Good natural endowment for agriculture and more than half a hectare of tilled land per head of population, combined with ample resources of agricultural labor, seemed to favor an economic strategy of extracting capital (food at low producer prices) and cheap manpower from agriculture for the benefit of the industry. Available capital inputs per hectare and per worker were and
remained lower than in other East European countries with collectivized agriculture (except Albania)” (324).

However at the end of the 1960s it had become clear that this policy could no longer continue without grave consequences for the entire economy. In all the former East and Central European socialist countries reforms directed toward the betterment of the situation of the rural sectors emerged.

Using the share of agriculture in the total economically active population as a classificatory criteria, Wädekin distinguished four groups of countries inside the European Eastern block: (a) with less than 10 per cent: East Germany and Czechoslovakia, (b) 10-30 per cent: Hungary, Bulgaria, Soviet Union, (c) 30-45 per cent: Romania, (d) more than 45 per cent: Albania. Apparently he does not include Poland in this classification because of its very singular land ownership situation (about 80% of the land remained in private ownership during the communist period after a dramatic social upheaval took place in 1956). His suggestion was that “[…] the countries of ‘reformed orthodox’ agrarian policy emerge as those with less than 30 per cent agricultural employment. […] The utopian and radical policies are those of the countries with more than 30 per cent employment in agriculture, that is, a low level of economic development (industrialization)” (Wädekin, 1988: 324). Retrospectively, Wädekin's prediction seems to have worked fairly well in Romania’s case.

The most important agrarian reform strategy adopted by the CAEM countries at the end of the 1960s and during the 1970s was referred to as the “industrialization of the agriculture”. It consisted practically in the creation of large “agro-industrial complexes” (AIC) on the model of the western agribusiness. This was one of the new trials to approximate market behavior by organizational means inside the planned, centralized economies of the communist block. The basic idea was to create backward and forward linkages to the rural cooperatives. The process was known as “vertical integration” and was supposed to better integrate the two sectors of the economy and to solve the multiple disequilibria problems between them. The debates about the functions of the agro-industrial complexes were numerous and heated. They revealed the hopes that had been put by the communist leaders in organizational and socio-economic engineering. In the case of AIC it was hoped that they will be able to fulfill the economic goal of increasing agricultural product and that their creation will be able to limit the outflow of technically skilled labor from agriculture as a result of the artificially created wage gap between the rural and urban sectors.

In Romania the creation of agro-industrial complexes started only in late 1976 while in the other East and Central European countries agro-industrial complexes had been already organized on a mass scale roughly between 1968-1970. Also the process was more mimetic than elsewhere. The share of labor in the non-agricultural branches of the AIC remained lower in Romania than in the neighboring socialist countries. For instance in the mid-1970s this share represented only 16% in Romania, 21% in Bulgaria but 30% in Hungary, 42% in Czechoslovakia and 53% in GDR (Wädekin 1982: 237). Moreover in Romania “decisive state influence through the administration of the state farms was maintained on all levels of such organizations (Wädekin, 1982: 254). This situation was maintained until the late 1970s, when certain reorganization in the state administration of cooperatives occurred and favored the strengthening of the forward linkages of agro-industrial complexes. The most important aspect of the administrative reorganization was the division of the Ministry of Agriculture and Food Industry into two distinct departments in 1979. The Industrial Processing of Agricultural Products department was responsible for the creation of forward linkages between the agro-industrial...
complexes and the food processing industries. However, much less attention was paid to the creation of backward linkages to the AIC, a situation that finally undermined the edifice of vertical integration.

During the 1980s, the weak performance of the State and cooperativist agricultural sector across the CAEM countries could not longer be underestimated. Contrary to the Marxist orthodoxy, the contribution of the very limited private agricultural sector to the total agricultural output was surprisingly high. For instance in the mid-1980s the contribution of the private sector in Bulgaria was “about 25 per cent of total agricultural output and about 34 per cent of livestock output” (Cochrane 1988: 243). It was shown that on the whole the private sector “has been almost completely responsible for the overall output growth during the 1980s” (Wyzan 1988: 299). In Hungary the contribution of the private sector to the total agricultural output was even higher and represented about 34 per cent in 1985 (Cochrane 1988: 243). For the former Soviet Union studies of the contribution of the individual plots indicated a very important contribution for the private sector (Severin 1988; Hedlund 1988). The private plots were estimated to "provide about a quarter of total agricultural output, on less than 3 per cent of total sown area" (Hedlund 1988: 216). Except Poland where an estimated of 72.1 percent (Korbonski 1988: 269) to 80 per cent (Wädekin 1982) of the land was in private hands, in the rest of the countries land was mainly held by large State or cooperative organizations.

The importance of the private rural sector began to be recognized in the Soviet Union, first in the Soviet Food Program of 1982 and more markedly with the March 1986 decree. A year later, in September 1987, the Central Committee of the Soviet Union issued a new decree “for improved conditions for private plot-holders” (Cochrane 1988: 239). In general this time the Soviet Union followed the reforms toward economic liberalization pushed ahead already by some East and Central European countries. It has been argued that Gorbachev's land measures had been inspired by the so-called New Economic Mechanism (NEM) that started to be revived in the 1980s in both Hungary and Bulgaria (Cochrane 1988). The principles of the NEM referred to: greater enterprise autonomy, drastic reduction of the number of plan indicators, the use of financial instruments to induce conformity to the national plans goals and greater autonomy in foreign trade decision making at the level of the economic unit. In different forms all the CAEM countries have adopted these principles during the 1980s.

As concerning Romania, in spite of the large contribution the otherwise limited private rural sector was able to make to the agricultural output – in fact the contribution of the private rural sector to the food supply was believed to have acted as a major political stabilizer during the food crisis period brought about by the forced export policy in the 1980s - the agrarian policy took a very different path from that in the neighboring Central and European countries. As Swinnen (1997) very well described the situation: “in the late 1970s and 1980s agriculture’s special features under Ceausescu included severe limits on direct marketing of garden production by peasant and extensive exports of food and agricultural products. Consumption standards suffered more in Romania than in other countries. Ceausescu also forced upon the countryside a campaign to destroy the traditional villages and force peasant into high-rise concrete flats, often without amenities, in a ‘village systematization program’. The aim of this program was to eliminate the peasant’ independence spirit along with traditional elements of Romanian society” (Swinnen 1997: 285). If the NEM principles were adopted in at least a mimetic way in some sectors of the industry, agriculture remained stalled in an old-fashioned centralism. In comparative terms, across the region, only in Albania was the situation probably worse, given the fact that the importance of the private rural sector had been completely denied in spite of the
very severe food shortage the country had begun to experience after 1985. Only about 0.5 per cent of the arable land was privately owned, Albania being the only communist country in the region to have completely nationalized the land in the form of state property in 1976 (Cungu and Swinnen 1999).

At a moment when the recognition and the spirit toward a certain liberalization of the economy was the common feature of the policy agenda in the Eastern European block, Romania, with its very peculiar state structure completely centered around the president, followed a very different path of development that singularized it in the area.

**Brief Outlook of the Romanian Agriculture at the End of the Communist Period**

*Population*

In 1989 the rural population in Romania represented 46.8% from the country’s total population while 27.5 % of the active labor force was employed in agriculture. From the perspective of a developed economy the percentage was exceedingly high, but even compared to other CEE countries the percentage was still among the highest in Europe (Table 3.1).

<table>
<thead>
<tr>
<th>Country</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>18.1</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>9.9</td>
</tr>
<tr>
<td>German Democratic Republic</td>
<td>10.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>11.0</td>
</tr>
<tr>
<td>Poland</td>
<td>25.8</td>
</tr>
<tr>
<td>Romania</td>
<td>27.5</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>17.0</td>
</tr>
</tbody>
</table>


Note: Data for Yugoslavia are for 1988.

The high percentage of population employed in agriculture gave the Romanian land reform a peculiar character: combined with the fact that the restoration of property rights in land was based on the restitution principle (i.e. the restoration process followed the ownership structure that existed in agriculture in 1948) the foreseeable result of the land reform was the extreme fragmentation of land in plots with an average size of about 2.5 hectares. Over the last ten years the fact was aggravated by a massive shift of over 10% of the active labor force from industry and tertiary sectors to agriculture as a result of the restructuration that took place in parallel in those sectors. As a consequence, the ratio of agricultural land to population in Romania worked out as one of the most restrictive factors for a successful land reform. Given the fact that the land reform took as a reference basis the already extremely fragmented land ownership structure that existed in the country in 1948 and that, in spite of the marked changes in the socio-demographic structure during the socialist era the proportion of the rural population remained still very high in Romania, the land reform was from its very beginning restricted by these structural parameters.
Land ownership structure and the organization of production in agriculture.

The ownership structure that characterized the Romanian agriculture over the socialist period changed little once the difficult collectivization process ended in 1959. Private farming persisted in the mountainous areas and small plots of land were also privately farmed in the plains. In the 1980s the area privately farmed represented about 12.8% of the arable land in Romania (Brooks and Meurs 1994). Theoretically land has never been nationalized in Romania, but only pooled in collective farms. Although, formally agricultural land was not nationalized, practically the peasants were not able to retain any control over the plots they had been forced to pool in the collective farms. Consequently the status of the land belonging to collective farms was not different from that belonging to state farms, none of the formal rights following from the private ownership being respected.

The very restricted private farming sector aside, agricultural production was organized in two distinct forms: state and collective farms. By 1989, 2055 thousand hectares belonged to state farms that employed about 261 thousand persons. Other 8963 thousand hectares were farmed in collective farms by about 2 millions peasants (Brooks and Meurs 1994: 22). As I mentioned, the main difference between the two was not in the form of land ownership but in the different degree to which they were endowed with machines and agricultural technology. In general, state farms benefited from a better endowment with agricultural machines while collective farms relied more on labor-intensive techniques. Compared to other CEE countries, Romania had one of the lowest levels of agricultural mechanization - the share of active labor force employed in agriculture was high and the agricultural labor productivity measured as output per labor was low (Table 3.2).

Table 3.2
Agricultural labor productivity - selected countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>431</td>
<td>-</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>3749</td>
<td>58</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>8063</td>
<td>-</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>-</td>
<td>44</td>
</tr>
<tr>
<td>GDR</td>
<td>-</td>
<td>61</td>
</tr>
<tr>
<td>Hungary</td>
<td>6551</td>
<td>77</td>
</tr>
<tr>
<td>Poland</td>
<td>2389</td>
<td>51</td>
</tr>
<tr>
<td>Romania</td>
<td>2239</td>
<td>47</td>
</tr>
<tr>
<td>Slovakia</td>
<td>5743</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Cungu and Swinnen 1999, p.606
Braverman, Brooks and Csaba (eds.) 1993, p.17

Note: The relative labor productivity is the net labor productivity in agriculture and forestry as a percentage of the net labor productivity in the nonagricultural sectors.

Share of agriculture in the GDP in 1989 and in the total merchandise trade
In 1989 agriculture’s share in the GDP was of 13.8%. Like Hungary and Bulgaria, Romania was a net exporter of agricultural products. However the share of agricultural products in the total
merchandise trade was lower in Romania than in the other CEE countries. In 1989 agriculture’s share in the total merchandise trade was of only 4.1%. Agricultural exports represented 4.8% of the country’s total exports. Agricultural imports made up only 3.2% of Romania’s total imports. Despite severe food shortages, the balance of agricultural trade was positive over the whole decade of the 1980s and the agricultural imports represented an insignificant share of the country’s imports.

To sum up, this chapter put into light the radical changes that occurred in the realm of agrarian policy in Romania during the Communist period as compared to the pre-1948 private property-based agriculture. It also highlighted the intellectual origins in the design of agrarian policies during this period as well as the constraints imposed by the totalitarian political system on the diffusion of alternative ideas about agricultural development. In the next concluding chapter I analyze the extent to which the ideas and policy consequences of these two long periods of policy-making experiences have been incorporated and influenced the post-1989 reforms in agriculture.
CONCLUSIONS

As it has already been made clear in the previous chapters, many of the fundamental questions relevant to "late development" had been already asked by the end of the 19th and the beginning of the 20th century, and some of the major themes present in the literature of development had already been formulated at that time and have periodically reappeared until the present. Questions such as: what is the role of farm size in economic productivity? what is the adequate form of production organization in agriculture? are the peasants rational (i.e. are they able to behave economically)? what should be the relationship between the two major sectors of a dual economy - agriculture and industry? how can agriculture contribute to the development of industry? does development- and especially late development-structure act as a "center-periphery" relationship between the "advanced" and "backward" countries? All these questions become recurrent themes in the economic literature of development and persisted if not dominated the discussions on development even as late as the 1990s. Also in great measure, the policy solutions to those questions were formulated and some also practically experimented on during both the pre-communist and post-communist periods. Therefore in addition to the practical policy experience there was a huge learning potential regarding the issue at hand in the post 1989 decade. Yet, this study demonstrated the post-communist policy-makers used that potential only to a limited extent.

This conclusion is very interesting as it points to another potential learning source: the connection between -on the one hand, the ideas and policies about development that grew out in Romania, and more generally in the space of Central and Eastern Europe (CEE) and the Soviet Union, and -on the other hand the set of ideas, concepts, theories and policies originating in development economics, a field that established itself as a distinct branch of economics in the 1950s. A justified remark would be that the lessons that have been drawn over half a century of systematic research by developmental economists should be incorporated in the testing of this study’ research hypothesis. In this respect, two observations are relevant.

First, in CEE and Romania in particular, efforts to theorize the process of development in agrarian countries long preceded the emergence of development economics (Love 1996). Incipient ideas about the process of development had already been formulated as early as the second half of the 19th century and had been more fully developed into theories and policy solutions in the first half of the 20th century.

Second, it is significant to note that the emergence of development economics as a distinct field at the end of World War II was concomitant with the shift to planned economies and planned agriculture in the countries of CEE. This situation resulted in a much more limited impact of development economics in CEE given the fact that most of the development models and policies followed from neo-classical assumptions and assumed an economic system based on private property. Although this could constitute a research question in itself, my general assertion is that to a certain extent there was overlap in the ideas about development as well as a coincidence in the reasons that generated policy shifts in both the planned and market economies in the second half of the 20th century. However, divergence between the two economic systems registered mainly at the level of policy solutions and implementation. I support this assertion by briefly outlining the moments in agricultural policy shifts in the CMEA countries (and by extension in Romania) in the post war period and the change in development paradigms and policy shifts in the field of development economics per se.
Several authors (Timmer 1998, Mellor 1998, Staatz and Eicher 1998) remarked that the formulation in the 1950s of a number of development theories emphasizing the role of industry in economic growth led to the view that agriculture was the lagging sector of the economy, unable to generate growth or efficiency gains. The major consequence of this view was the rise of the so-called “squeeze agriculture” paradigm (Timmer 1998) as the prevailing theoretical framework for policy design in many developing countries in the 1950s. Structural change of the economy became equated with underinvestment in agriculture and emphasis on the need for the growth of the industrial sector with almost no regard for any of the long-run social, economic or political consequences of this policy. Staatz and Eicher (1990) sum up the situation as follows:

“Most Western development economists of the 1950s did not view agriculture as an important contributor to economic growth. […] The role of development economics was seen as facilitating that transformation [of the structural transformation of the economy] by discovering ways to transfer resources, especially labor, from traditional agriculture to industry, the presumed engine of growth. Agriculture itself was often treated as a “black box from which people, and food to feed them, and perhaps capital could be released” (4).

They also show how a range of theoretical arguments framed in the 1950s and built upon distinct theoretical assumptions converged in their policy implications and conveyed an industrial orientation to many countries’ development agenda. Chief elements in this policy shift were the formulation by Lewis of the dual economy model in 1954, the conceptualization by Hirschman of the “linkage effect” and his assertion that agriculture has weak capability to generate linkage effects, and spawn subsequent investments in other sectors of the economy, the formulation by Prebisch and Singer of the thesis of unfavorable terms of trade for agricultural products with the policy implication that the accent should fall on the development of national industries. Whether or not these ideas have been influential in the formulation of development programs in the CMEA countries in the 1950s or they just happened to coincide in terms of policy recommendations with the Marxist tenet of the superiority of industry and innate inefficiency of the private farming sector, or in the case of Romania, with the theory of unequal exchange formulated in the 1930s by Manoilescu - a precursor of the dependency perspectives of ECLA (European Commission for Latin American) - do not encompass the prime interest of the present discussion. What is worth nothing however is the coincidental “push on industry” (Mellor, 1998) that followed from both the Western development economics and the Marxist doctrine in the 1950s. As Timmer (1998) put it: “The unique features of agriculture as a sector were simply not widely understood in the 1950s. Nor was it accepted that the development of modern agriculture was necessary as a concomitant to development of the rest of the economy” (123). Obviously, the actual policies to “squeeze” agriculture differed markedly in market versus planned economies. In the former taxation and indirect intervention in the price structure of agricultural products was favored, in the latter coercion was more direct: socialization of the private property, forced quotas and requisitions, and centrally fixed prices did the job.

In the 1960s and more markedly over the 1970s, the need for increased agricultural output to sustain industrial development came to be recognized in both the West and the CMEA countries. The idea that the change of a country’s economic structure and the growth of its industrial sector were not independent from improvements in agriculture’s capacity to increase output and to meet an ever-raising demand for food translated into a new paradigm and policy shift. The paradigm shift had been announced by the new emphasis “on ‘role’ rather than the more forced concept of ‘contribution’ of agriculture” (Timmer 1998: 123). In policy terms the need to invest in agriculture began to be recognized. This is what Timmer called, after the names
of the most influential scholars for this change of perspective, the Johnston-Mellor environment for the role of agriculture in development. In an article written in 1961 Johnston and Mellor identified five possible roles that agriculture could play in economic growth and that could set a country’s process of development on a path of firm and unremitting advancement: 1) increase the supply of food, 2) provide labor to the industrial sector, 3) raise the demand for industrial output, 4) increase the supply of savings in the economy, 5) finance capital acquisition for industry through agricultural exports (Timmer 1998: 123). Timmer comments that many of the roles for agriculture identified by Johnston and Mellor indicate a certain continuity of the prior “extractive” orientation toward agriculture but that under changed circumstances - mainly a change in focus from a priori theorizing towards empirical research (Staatz and Eicher 1998) - their position generated nevertheless a policy shift that favored investment in agriculture and “balanced growth” or, in other words, a better integration of agriculture and industry through both labor and product markets. The need to better integrate the two sectors becomes more stringent on the measure that the share of a country’s labor force employed in agriculture declines, and the extraction of labor from agriculture becomes more problematic. Then, according to Timmer, a new shift in policy occurs, one that demands the “integration of agriculture into the macro-economy” (or the Schultz-Ruttan environment). At this stage, agriculture is linked to the overall economy through the better development of labor and credit markets that can assuage the shock of the increasing income gap that establishes between the agriculture and the industry sectors. However, a negative side effect of this policy was the increased vulnerability of the agricultural sector to the macro-economic fluctuations in prices, and aggregate demand and supply.

Wädekin (1982) described a similar change of perspective regarding the role of agriculture in development for the CMEA countries. However, this similarity need not be emphasized beyond a number of common elements and ideas that can be easily identified. Wädekin describes the mechanisms by which underinvestment in agriculture came to be recognized as a counter-productive policy, one that if continued, could in the end jeopardize the growth of the industrial sector itself. Several elements contributed to this understanding. First, the peculiarities of planning in agriculture came to be recognized. Wädekin notes: “In agriculture more than in any other branch of the economy, the rigid and centralized planning was unable to take into account the diversity of climate, soil, and social and economic conditions at the local and regional level” (1982:205). In this respect development economics as such had undergone a similar process, which however, had not preceded the realization of planned economists of the necessity for the same distinction. For instance, it had been recognized that: “the early purposeful neglect of agriculture can in part be attributed to development economists who were remote from any real understanding of what makes the agriculture sector quite different from either manufacturing or services” (Timmer 1998:125). But it is true that once the distinct character of agriculture as compared to other sectors of the economy had been acknowledged, development economics went into a much more productive research direction than what the economics of planned agriculture could possibly undergo. So for instance a microeconomic approach focusing on the analysis of farm household behavior, decision-making in agriculture, the importance of land tenure systems for agricultural output, became more predominant in the study of the rural economy. When, across the CMEA countries, the peculiarities of planning in agriculture could no longer be ignored, the focus of policy makers shifted on diminishing the number of plan indicators and granting the state- and the collective-cooperative farms more autonomy and flexibility in their operation. Interestingly, the former Stalinist, ultra-centralized operation of the
farms “worked more or less, so long as soil and unskilled labor continued to be available in abundance” (Wädekin 1982: 206). Apparently, the intuition behind Lewis’ model of a dual economy was confirmed under conditions of central planning in the sense that the Stalinist system could no longer operate beyond the so-called “shortage point” of a dual economy – the point beyond which the continuation of labor outflow from agriculture would be associated with decline in the agricultural output. What came to be clearly realized was the fact that unless labor productivity in agriculture would increase, the terms of trade for agricultural products could be set against industry.

Two distinct phenomena could have triggered the pressure for an upward move in the prices of agricultural products: an increase in the monetary incomes of the urban sector not met by an adequate supply of non-food products (and in particular consumer goods), and a decline of output in agriculture as a result of lagging labor productivity. This was the main mechanism by which greater investment in agriculture and a more flexible organization of the state and collective farms came to be regarded as desirable policy shifts. At the same time as Wädekin (1982) insightfully notices these were the reasons that induced a shift of paradigm similar to the one produced in the Western development economics: away from the view of agriculture as a contributor to growth, toward agriculture as a full player in the process of growth. As he put it: “The diverging developments of incomes and food supply, combined with rapid urbanization and the insufficient diversion of income increments to nonfood commodities, demonstrate that the situation was and is not merely a problem of food production. It is even more one of the economy at large, and of the role attributed to agriculture” (104, emphasis added). In a free market economy, the less-than-unitary income elasticity for the demand of agricultural products lessens the pressure for upward move of the agricultural prices. The terms of trade can still be set in favor of agriculture instead of in favor of a modest growth in farm productivity. In a planned economy, the pervasive shortage of various nonfood products makes the levy of the income elasticity less relevant as the consumer choices are strictly limited by what is actually available on the “market”. (Timmer 1998:115, Wädekin 1982: 102-3). Here, what we need to retain is that in both market and planned economies, the role of agriculture in the process of development started to become more central despite the very different sets of arguments that gave rise later on to a policy shift arguing for the need to better integrate agriculture with industry, also known as the “industrialization of agriculture paradigm”.

This brief sketch of the parallels and differences of part of the approaches to the role of agriculture in development as formulated in the CMEA countries and the field of development economics, had the sole intention to show that some ideas and policy recommendations may be powerful enough to reproduce themselves even under such radically different systems of economic organization as the plan and the market. Obviously, it was not in the intention of the above discussion to equate the achievements of the two “fields”. It goes without saying that the conceptualization and theorization of development in the CMEA countries was much more restricted by ideological tenets and political obstacles that inhibited the open inquiry into the process of economic development in a way unknown to Western scholars of development economics. The strained limitation of ideas and the subsequent scarcity of effective policy solutions to the issue of economic and social underdevelopment during the period of planned agriculture in Romania and elsewhere are notorious by now and the present analysis also highlights this aspect. The tables below present a synthesis of the ideas, theories, policies, and lessons that can be said to have roughly characterized the pre-communist and communist periods in the Romanian experience of dealing with agricultural underdevelopment:
<table>
<thead>
<tr>
<th>IDEAS/THEORIES</th>
<th>POLICIES/POLICY RECOMMENDATIONS</th>
<th>RESULTS</th>
<th>LESSONS/IMPLICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Landownership is a political right</td>
<td>-Land reform and redistribution</td>
<td>-Dismantling of large latifundia</td>
<td>-Land redistribution alone is a very imperfect solution to the improvement of economic efficiency in agriculture.</td>
</tr>
<tr>
<td>-Increases in agricultural production can be realized by expansion of the area cultivated and improvements in the cropping systems such as crop-rotation, use of organic manures</td>
<td></td>
<td>-End of feudal relationships in agriculture</td>
<td>-The “frontier” and “conservation” models of agriculture reach their limits once the output growth rate is overridden by the rate of population growth.</td>
</tr>
<tr>
<td>-Large farms are more productive and can better capture economies of scale than small farms can</td>
<td>-Collectivization and dismantling of the small peasant agriculture</td>
<td>-General aversion by the peasant class to socialist ideas</td>
<td>-The Marxist-Populist debate ensued</td>
</tr>
<tr>
<td>-The law of capital concentration will inexorably destroy the peasant rural society</td>
<td></td>
<td></td>
<td>-No clear lessons</td>
</tr>
<tr>
<td>-Peasant farms represent a distinct, resilient, and economically superior form of work and production organization in agriculture</td>
<td>-Emphasis on industry’s development is not suitable, Romania lacks the necessary historical conditions that would foster its following in the steps of advanced industrial nations</td>
<td>-Rural credit continued to be very limited; the majority of peasants lacked the means to guarantee their credit</td>
<td>-Strong State intervention in the cooperative movement, political manipulation, and bureaucratization of its entire territorial structure pervert the objectives of voluntary cooperation</td>
</tr>
<tr>
<td>-The Marxist law of capital concentration does not apply to agriculture</td>
<td>-The development of rural cooperation, and in particular of the credit cooperatives</td>
<td>-Only a few production cooperatives establish on a voluntary basis</td>
<td>-High instability of the legislation of rural cooperation discourages the attempts for organization into cooperatives</td>
</tr>
<tr>
<td>-The fundamentals of the political organization of Romania should be a “peasant state”</td>
<td>-Private property rights to land are to be maintained</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Peasants constitute a sociologically distinct part of the society, culturally separated from the small segment of population employed in industry</td>
<td>-There is not much to be done in policy terms</td>
<td>-Skepticism about Romania’s practical possibility to catch up with the developed world</td>
<td>-A form of Boekean “sociological dualism” pervades the writings on economic backwardness in Romania</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-Dualist models lead to policy inaction</td>
</tr>
</tbody>
</table>
Table 4.2 Ideas, Theories, Policies, and Lessons - The Communist Period (1948-1989)

<table>
<thead>
<tr>
<th>IDEAS/THEORIES</th>
<th>POLICIES/POLICY RECOMMENDATIONS</th>
<th>RESULTS</th>
<th>LESSONS/IMPLICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Large collective farms represent the best way of organizing production in agriculture</td>
<td>-Forced collectivization of agriculture</td>
<td>-Land and agricultural machinery become State property</td>
<td>-In the absence of clear property rights to land and output, the large farm size does not operate economically</td>
</tr>
<tr>
<td>-The abolition of the institution of private property of land and means of production leads to increases of output and labor productivity</td>
<td></td>
<td>-During the first two decades of planned agriculture output and productivity growths are obtained, but the trend cannot be sustained</td>
<td>-Evidence about the productivity of the small plots during the period of planned agriculture supports the above conclusion. Also, at a micro-level, it shows that peasants behave rationally and react to economic incentives</td>
</tr>
<tr>
<td>-Agriculture - a source of financing industrial development</td>
<td>-Agriculture ‘squeezing’ policies: -Under-investment in agriculture machinery coupled with the maintenance of a relatively large labor force in agriculture -Maintenance of artificially low prices for agricultural products coupled with a large agriculture-industry wage gap</td>
<td>-Extensive growth of agricultural output -Once the sources for an extensive growth were exhausted, stagnation/decline in agricultural output followed</td>
<td>-Capital investment in agriculture is necessary to support industrial development; one cannot take place in the absence of the other</td>
</tr>
<tr>
<td>-Industrialization of agriculture</td>
<td>-Vertical integration of agriculture and industry: creation of agro-industrial complexes</td>
<td>Mixed results: -Increased attention for agriculture’s capitalization needs -Improvement of the distribution channels for agricultural products, but insufficient connection with the backward linkages</td>
<td>-The idea that it is necessary to create “input-output” links between the two sectors is a very useful one. This integration process however can be damaged if seen as a “distributive”, non-market process</td>
</tr>
</tbody>
</table>

Once equipped with the above synthesis the answer to the question -to what extent could we speak of a policy learning process in the post 1989 agrarian reforms- could be re-formulated in a clearer and very concise manner. Almost none of the major lessons emerging from the communist and pre-communist periods seem to have been incorporated in the post-communist policy design processes.

For instance, in spite of the fact that the lessons of both pre-1989 periods converged in the thesis that land redistribution alone is a very imperfect solution to the improvement of economic efficiency in agriculture, post-1989 reformers made pure land redistribution the cornerstone of their reforms. Seen in the light of the present research the downbeat results were quite unsurprising. In fact, the study reveals that a suppressed tension permanently existed
between the declared policy-orientation – a private agriculture - and the actual policy options followed in practice. Although the restitution principle was followed, substantial State support went to the State-owned agricultural sector (for instance 80 percent of the subsidized credits), and the process of privatization of large state agricultural enterprises was slow and permanently delayed.

In a similar way, the pre-communist-period experience teaches that although the private cooperation system could be the solution to land fragmentation and large rural population, the high instability of the legislation of rural cooperation discouraged the attempts toward organization into cooperatives. The same kind of legislative uncertainty reigned after 1989. In this case there was no excuse as no interest groups or special interests were opposing the legislation in question or carried out purposeful destabilization. It was a mere failure of policy insight and even common sense. Moreover, the legislation directly favored the continuation of the former cooperative organizations and was unsupportive of the formation of new cooperatives that would be based on free association of members on their own choice. The law did not ban the formation of such cooperatives but it did not offer incentives for the establishment of new cooperatives either, as it did not allow for the transfer of the capital of former cooperatives toward them.

Finally, during the 1990s the disjuncture between the agricultural and industrial sector deepened, despite efforts made during the previous decades for their closer integration. Neither the supplying- nor the beneficiary- industries were well connected to the agricultural sector and in fact the new large private agricultural sector remained almost isolated, a situation that aggravated the subsistence orientation of the Romanian agriculture.

The degree to which the post 1989 agrarian reforms have been influenced by the policy experiences and ideas that stood behind them in previous periods was extremely limited, almost negligible. To the extent that we speak of a policy learning process in the post 1989 agrarian reforms, it is learning that precludes a systematic exposure and analysis of the conceptual and theoretical fundamentals of the policies taken as a learning source. That definitely is not enough to support the rational policy making model that was a foundational assumption of the key hypothesis of the present study. The study falsifies the hypothesis that the ideas, concepts, and theories that led to policy failure and mixed results in the past were rejected or correspondingly adjusted to the new context. Indeed the rational policy-making model based on the strong notion of conceptual learning seems to be unable to offer a coherent explanation of the phenomenon in question. That opens the possibility for alternative models in which the strong rationality assumption, with roots in neoclassical economics, is replaced by a sociologically informed conceptual structure.

Sociologically informed research on agricultural development in Romania could take several distinct theoretical directions. First, the present study leads to the conclusion that the line of analysis originating in the conceptual approaches of political sociology could be used in the study of the formation of interest groups and in the study of actions in the realm of agricultural development policy. Although the present analysis has not directly discussed the role played by various interest groups, their pervasive influence in the process of agricultural law making has been pointed out repeatedly. Initially, the main pivot of political action has been represented by the villages’ former “nomenklatura”, and this has put its stamp on the process of agricultural law making in the post-1989 period. Accordingly, it would be interesting to identify and assess the social composition, social organization, political strength, and organizational structure of the new interest groups that have been formed during the last decade. Equally important would be to
identify and to explore the latent and manifest sociological functions of the formal channels through which such groups eventually influence agricultural policy making in Romania.

A second research direction implied by this study originates in approaches developed by the sociology of law. The present analysis emphasized the “legalistic” approach—that is, the expectation that a series of actions and desirable consequences would follow if a body of legislation were adopted—underlining the policies intended for economic- and in particular, agricultural—development in Romania over more than a century. As has been shown, this legalistic attitude toward the process of agricultural development, and the consequent expectations it raised, have been repeatedly frustrated by the reality of the unfolding agricultural processes in Romania. It would therefore be helpful to use the tools of the sociology of law to identify the parts of the Romanian law (concerning agriculture) that are “alive”. In other words, it would be useful to identify the body of legislation which genuinely informs people’s actions and which is incorporated in their economic decisions.

A third research direction could be developed with the tools of institutional analysis in order to look at the actual structure of property rights for the land, the prevalent tenancy arrangements, and the main forms of agricultural production organization that were actually stabilized in Romania. As the present study aimed to point out, many informal arrangements that dominate the organization of production in the countryside are not well understood, have not yet been mapped out, and were often ignored due to their “informal” character. An analysis informed by institutional theory, could underscore the importance of the “weak ties” present in informal arrangements, and by doing this it could help to overcome the legalistic approach so deeply rooted in the Romanian tradition of agricultural policy-making. Moreover, such an analysis could help in the formulation of policy interventions that are desirable and which would have practical chances of success.
BIBLIOGRAPHY


Mitrany, David. 1951. Marx against the Peasant; A Study in Social Dogmatism. [Chapel Hill]: The University of North Carolina Press.


ADINA DABU
Ph.D. candidate in Industrial and Labor Relations (expected 2004), Institute of Labor and Industrial Relations, University of Illinois at Urbana-Champaign.
MS in Sociology and Graduate Specialization in International Research and Development, Virginia Polytechnic Institute and State University (2002)
Diploma in Sociology, University of Bucharest, Romania (1996)
Diploma in International Economic Relations, Academy of Economic Studies, Bucharest, Romania, Faculty of Trade (1994).