

Necessary Reassessments: The National – State Judgments in a Globalised World. Case Study on the Thinking of “The Universalist” Economist Mihail Manoilescu

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Abstract

The aim of this article is to demonstrate that in an increasingly globalised world the argumentation offered almost a century ago by the Romanian economist Mihail Manoilescu, regarding the design of an economic policy requires clear reconsideration. We want to emphasise the realness or, on the contrary, the inadequacy of Manoilescu's theory concerning the core ideas of its endeavour, namely: related costs, national average productivity and protectionism, the policy of industrialisation and agriculture development, etatism and nationalism or the cooperative and financial–monetary policy. As opposed to the existent studies on this topic, we intend a synthetic analysis. We are interested in finding out which part of the entire work of the famous Romanian economist remains valid when the real global economy is addressed. Generally, we conclude that most of his arguments, which were embraced by emergent economies in the immediate post-war period, are no longer appropriate.

Key words: related costs, national average productivity, protectionism, national gain, interventionism, nation.

1. Introduction

The work, as well as the personality, of Mihail Manoilescu was complex and contradictory at the same time. Having the courage to confront David Ricardo, a titan of classical economic thought in terms of international trade, Manoilescu gained an incontestable international reputation. His advocates as well as his critics belonged to the same extent in both the developed world and emerging economies. Observing a noticeable exception to the line of classical analysis of foreign trade patterns based on the hypothesis of perfectly competitive markets, Manoilescu opened the horizons to inspiring analyses, especially for emerging nations.

This explains the success of his ideas in this world, but mainly in Latin American countries. Since the publication, in 1929, of his famous work in French, *Théorie du protectionnisme et de l'échange international* and in English in 1931, *The Theory of protection and international trade* (Manoilescu, 1986), Manoilescu was placed under a permanent wave of eulogistic or critical analyses. Most of this is related to the theory of international trade and protectionism, pieces that admittedly shape the hard core of his work. Although the main topic, this is not the only topic through which Manoilescu evoked and is still evoking interest.

On the contrary, Manoilescu proved himself to be personal and challenging in terms of industrial and agrarian policy, etatism, cooperatives or finance. In such circumstances, we find it necessary as well as of great interest for science and economic policy to reveal the plenary dimension of his work, as such an endeavour is possible in the body of a research article.

Our purpose is to materialise such effort of addendum to his work by reference to the current context, that of a globalised economy affected by the crisis. We use, in these circumstances, an adequate methodology. A comparative analysis seems to be most appropriate. Consequently, we concentrate our efforts on two separate plans. On the one hand, we highlight the hypotheses and theoretical conclusions of Manoilescu's theory. On the other hand, we focus our attention on the concrete reality of the economic world in the year 2000. We follow this approach by dividing the analysis into three levels. First, we demonstrate that in the present context, the concept of *nation* does not have anymore the same significance as the one offered by Manoilescu. Second, we highlight that national average productivity is a deceptive notion in creating a foreign trade policy. Thirdly, we show that with the onset of the development of industry and agriculture, following the national average productivity criteria is also deceptive. In the same circumstances, we disavow the manoilescian belief according to which a moral and omnipresent state is necessary for setting up an economic strategy. We also consult the standpoints of contemporary exponents in the field. Then, we assume that Mihail Manoilescu had a special intelligence, being a live spirit, with great openness toward knowledge, not only in its economic valences. It is clear that both the national context of his origin country – Romania – and the international one have suffered profound mutations since the day he made his opinions popular.

In such circumstances, we will attempt to conduct a dialogue with Manoilescu himself, wondering with simple scientific curiosity what Manoilescu would think if he could be among us today.

2. Mihail Manoilescu in the light of the economic analysis – literature review

As the vast body of literature in the field highlights, the heritage of Mihail Manoilescu in the area of economic analysis is reflected in his major contribution to the theory of international trade. Such a perspective illustrates the crown of his efforts concentrated on multiple directions, such as national average productivity, cooperatives, related costs, national gains and so on.

As Leslie Bethell (1996) and Joseph Love (1990) emphasised, Manoilescu presented the image of a Romanian economist who had the courage to attack the existing neoclassical theory of trade and division of labour, arguing its lack of effectiveness. Given the fact that the productivity of agricultural labour was effectively lower than that obtained in industrial activities, his obvious recommendation was oriented toward replacing agriculture with new industries that provide a higher productivity level than the national average (Bethell, 1996, p. 211). As an inherent consequence, protectionism became a necessary measure in order to support greater industrialisation. However, he was not the only advocate of such a policy. Authors such as Alexander Hamilton (1966) or Friedrich List (1973) also promoted a similar attitude. We assert that it was similar and not identical because there were discrepancies in terms of the vision and targeted time span. The former, following Adam Smith's argument according to which the extension of machinery use and the division of labour stated that industry seems to have a higher productive potential since it can absorb much more machinery than agriculture (Hamilton, 1791/1966, p. 252). He took a step further and advocated government protection applied to the 'infant industries' in order to help them in the competition process with similar industries from other nations that were placed in a more advanced phase of development (Hamilton, 1791/1966, pp. 267–268).

The latter author, List, emphasised the need for temporary protection applied to the same 'infant industries' with the purpose of supporting them on their development path. The major preoccupation of List was defined by the topic of development and not international trade. When such industries became strong enough to face the competitive market environment, protectionism would be replaced with a free trade regime (List, 1973). On the contrary, as Maneschi (2008) emphasised, Manoilescu had a great propensity toward permanent protection. The necessary condition to be satisfied in order to apply such a measure was the lower level of wages in agriculture than in the manufacturing sector. As Joseph Love underlined, Manoilescu was oriented toward the objective labour theory of value, like many other economists belonging to the wave of classical economics, such as Marx, Ricardo and others (Love, 1990). As a consequence, labour should be directed to the most productive activities, which provide a higher level of productivity than the average national level, and this could not be the case of agriculture, but of industry.

Given the multiple similarities between the case of Romania and that of most of Latin American nations, Portugal or Spain, these countries have also captured and embraced the protectionist theory of Manoilescu (Maneschi, 1998; Love, 1990, 2004). Even so, his theory regarding international trade was not completely welcomed. Jacob Viner (1932), for example, underlined that the existent discrepancies in terms of wages between industry and agriculture are not such a strong reason as to invalidate the classical theory of comparative costs. On the same wavelength as Viner, Gomes (2003) pointed out that the higher wages in the industrial sector might be explained in the light of the 'disutility' generated by the greater economic costs imposed by activating within such a sector. Consequently, if specialisation is decided on the basis of such 'disutility', the need for protection disappears (Gomes, 2003, p. 126).

Despite his prominent critiques, as Love (2011) pointed out, Manoilescu provided a point of view that had continuity. His own opinion regarding the existing labour productivity disparities was afterwards developed by economists such as the Nobel Laureate W. Arthur Lewis. From this perspective, Lewis (1954) argued that taking into consideration the major discrepancies in terms of wages between industry and agriculture, protection might illustrate a proper solution in the case of the less developed nations. Today, the theory of Mihail Manoilescu does not have the same connotations. As Love highlighted, 'Manoilescu's economic programme today would be described as state-directed import-substitution industrialization' (Love, 2011, p. 110). According to Love's perspective, normally, when an agrarian nation is upgraded to the level of an industrial country, it should export manufactured goods, but in manoilescian theory, a strategy like this was not explicitly formulated (Love, 2011).

Finally, the manoilescian theory of international trade remained a revolutionary and polemical endeavour that captured attention in the past, but also in the present times of hard crisis repercussions. As Blancheton and Nenovsky (2013) pointed out, Manoilescu provided a new theory that serves as a source of knowledge in identifying the precise solutions not only to the crisis effects, but even more to convergence and catching-up challenges at the European Union level (Blancheton and Nenovsky, 2013, p. 28). The international reputation of Mihail Manoilescu surpasses the perspective of protectionism and is completed, as Love (1990) and Maneschi (2008) underlined, by his acknowledged position as a theorist of corporatism. From this perspective, Joseph Love noted that '... literature on corporatism in French had a much larger impact than that in German. ... the most influential writers were probably François Perroux, who had taught at São Paulo, and Manoilescu' (Love, 1990, p. 88).

In conclusion, the review of economic literature related to Manoilescu emphasises him as an international class theorist in the field of international trade, protectionism and, to a certain extent, corporatism. Even so, the dominant part of his critical concerns focused on the subject of protectionism. The Romanian author's criticism oriented toward the Ricardian theory of comparative costs, which supported his entire theory of protectionism, is considered as an 'asset' of economic science. What are lacking are serious studies to question the methodology and the intimate mechanism through which Manoilescu started to uphold unlimited protectionism. Our analysis is oriented precisely in this direction. In addition, we try to reveal the background imperfections of the manoilescian analysis in the context of a global world.

3. The dubitation of a wanted fundamental concept and its derivatives

Mihail Manoilescu entered the area of universal economic literature with the publication in French, in 1929 and in English in 1931 of his fundamental work *Théorie du protectionnisme et de l'échange international (The Theory of protection and international trade)* (Manoilescu, 1931). The interest in substantive issues concerning international trade, protectionism or national production policies explains such a fact. All these directions inspired relevant analyses in order to bring up to date or to criticise the manoilescian theory.

The methodology projected by Manoilescu in order to bring a radical change to the analysis of international trade and protectionism is based on several concepts. The central place is illustrated by the reference unit, *the nation*. From Manoilescu's perspective, the direct economic benefits from international trade belong exclusively to the nation. Furthermore, he clearly stated that the foreign exchange problem in the case of a nation is different from that of an individual. If, for a person, the exchange process illustrates a purely commercial activity, for the case of a country, the essential issue is the way in which the purchasing power is generated. The opposition individual-nation is not claimed only in the analysis of foreign trade relations. There are also some other contiguous concepts related to the nation.

First, we nominate ‘national productive forces’ and ‘national production policy’, both of which have the same sense as the one that Friedrich List provided for these expressions (List, 1973, p. 208). Second, there is labour and initiative reward, without which a country sees ‘his pulsation stopping, freezing its trade relations’ (Manoilescu, 1923 a, p. 22). Third, we have freedom, seen as ‘the optimal way to achieve a maximum total efficiency for the energy of a nation’ (Manoilescu, 1923 a, p. 23). Fourth, there is the ‘money of the State’ required to be spent ‘with painful attention’, given the fact that ‘it is the money of the poor people hardly provided for the country needs’ (Manoilescu, 1925, p. 23). All these are concepts to which the Romanian economist gave a nationalist mercantilism-related sense, in its genuine form. No one can be accused of thinking first of all to the nation to which he belonged when writing his works. The same also occurred in the theory of international trade by the predecessors of Manoilescu, such as Adam Smith and David Ricardo, only the universalism of their thought was not affected by the judgement principle, individualism, on the contrary. For Smith, for example, ‘what is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom’ (Smith, 1843, p. 185). Therefore, as Adam Smith believed, on good grounds, what is good for a family or an individual cannot harm the country. Contrariwise, for Manoilescu, the achievement of national interest prevails.

The individual interest exists, but is ‘melted’ within the general interest of the country. When this is accomplished, the individual interests are also automatically covered. The core of some inclinations with a totalitarian orientation is identified precisely in his capital work *The Theory of Protectionism and International Trade* (Manoilescu, 1986), while in his final works, especially in *The Century of Corporatism* (Manoilescu, 1934), such options found an elaborated approach. His conception of the state argued this assertion once more. When he talked about the ‘money of the state’, Manoilescu accepted the idea that there is the state reason itself, but the one of an enlightened state, possessor of rationality and generosity. Thanks to some solid theoretical analyses (Buchanan and Tollison, 1972), but also on the basis of the chance provided by the retrospective evaluation of some already consumed facts, today we all know that only those nations that followed the individualistic path of Adam Smith won in terms of prosperity and development, and not those that projected development on holistic principles.

If in 2016, Manoilescu would had been our contemporary, as a person living in a country that has experienced totalitarian communism in its apogee, referring to Romania, it is hard to believe that he would had mistaken patriotism with an unhealthy and unproductive principle of judgement. However, in the 1920s he did that. In an increasingly globalised world, we do not believe that the nation is ‘melted’ in the planetary ensemble, being no longer found on the judgement criteria list. On the contrary, the recent economic and financial crisis has clearly demonstrated such a thing and the migration phenomenon is intensely highlighting it. Then, the development projections or analysis focused on present or future times target this perimeter. Even so, we repeat that the nation cannot serve as a working hypothesis in an analysis that will serve as a starting point in deciding on processing or importing any sort of good. Such decisions belong with priority to the firms, not to the government. Furthermore, at this level, there is another operation that precedes trade activity. This is the moment of earning the necessary amount of money in order to buy a certain good. In such a context, the behaviour of a firm is individualistic, similar to that of pursuing the accomplishment of individual gain. On such a basis, the judgement of Manoilescu is no longer available and leaves the stage in order to provide space for the Misesian principle, according to which the distinction between the producer and the consumer is available only in theory, in analysis. In practice, the situation is totally different. Anyone who plans to procure a good produced by someone else must first earn the necessary amount of money to buy it (Mises, 1986, pp. 10–11). For the firm, the amount of money needed to import a certain good can be earned from an industrial activity or other commercial operation. As in the individual case, the prior acquirement of purchasing power does not necessarily involve manufacturing activities.

Synthetically speaking, the idea according to which for a nation the exchange problem is first of all a production problem becomes relative. The real problem is transferred to the firm, in which the exchange operation might be preceded by a production or a commercial activity, depending on the field in which that firm has specialised. Regarding the state, the institutionalised representative of the nation, it remains a simple collector of royalties, taxes and fees payable by the firms operating within its perimeter. Their size matters. Furthermore, they are reflected in the national budget, in the trade or payment balance account. Even so, they represent a resultant of firms’ activities and not of the state’s own initiative. On the legislation path, the state may influence the unfolding framework of the activity but never the decision of the firms to import or manufacture a product. Such a decision illustrates a function of the free market.

4. The impasse of an international trade policy based on national average productivity

Productivity, in its 'related' or 'national average' formula, illustrates another concept with which Manoilescu operated in his analysis. For our particular purpose, we are interested especially in the support provided by this concept for a trade policy decision within manoilescian work and less interested in the critical aspects related to the content and calculation methodology of labour productivity.

In other terms, indeed, we do consider that there are some criticisable aspects in the work of Mihail Manoilescu. First of all, there is the manner in which Manoilescu determined productivity on the basis of fixed or static prices (Bobulescu, 2003, pp. 118–119). Secondly, there is his perception, influenced by the Marxist perspective of labour value, according to which the concept of productivity may be exclusively related to labour, ignoring other factors such as capital or nature (Ohlin, 1931, pp. 34–35). Thirdly and lastly, we indicate that there is a limitation coming from the circumscription of productivity calculation to the national level. Such a perspective forced him to ignore the significant salary differences between countries, an aspect that had negative effects in terms of international comparability, for example.

As we have already mentioned, what concerns us here is productivity as a hypothesis on which Manoilescu's analysis was based in order to suggest a specific foreign trade policy. Briefly, Manoilescu was interested in both the *national average productivity*, as the value of the net average production created by an economic agent during one year, and the *related productivity* of the good, which might eventually be used as an exchange instrument. The latter element becomes noteworthy in the light of his opinion, according to which it is important 'how purchasing power is produced' and not 'what and how' goods are bought. The calculations made at that time, in the 1920s, highlight that labour productivity in agriculture is up to 4.35 times intrinsically inferior to that obtained from industrial manufacturing (Manoilescu, 1986, pp. 153–155).

Considering these data as a starting point and making a critical reference to the classical theory of international trade, Manoilescu stated that: 'it is known that for a country, it's perfectly careless if a commodity is easier or harder produced abroad than within its own borders. The only important thing that matters is to know what is the related productivity implied by the production process of such a commodity and, if this should be imported, what is the productivity of the other good that should be produced inside the borders of that country in order to serve as an exchange item' (Manoilescu, 1986, p. 211). Moreover, for the purpose of denying even more radically the analysis of Smith and Ricardo, Manoilescu noted that: 'if a country produces two types of goods with different levels of labour productivity, then it is in the advantage of this country to abandon the production of the good with lower related productivity and exclusively concentrate on production of the good with higher related productivity, although the first good would have a relative or even absolute superiority in its production than abroad' (Manoilescu, 1986, p. 210). Summarising his thoughts, we discover that the average of national labour productivity illustrates the boundary between producing and importing a certain commodity. If the related productivity of that good that is of interest is placed above the national average level, then its production within the country will be the solution. On the contrary, the nation will prefer the indirect commercial path and will import the good if its related productivity is situated under the national average level.

But what is the value of these arguments and many others that complete his analysis in today's globalised world? *First of all*, Manoilescu sends a direct message of adaptation to the native specific characteristics and isolation within the country's own borders, to shelter some arguments gravitating around the 'axis' entitled national average productivity.

For an *underdeveloped country* with a lower average productivity, as Romania was during Manoilescu's lifetime, the indirect commercial path lacked representativeness. Such a country does not have another option but to close itself and follow a generalised protectionist policy and industrialise rapidly, albeit artificially. In such circumstances, domestic consumption remains the only market for internal products with a lower productivity level and a lack of competitiveness. Given the fact that the productivity difference between industry and agriculture reduces but does not disappear, the country is sentenced to support such a policy for a long or even endless time span. In Romania, the targeted country of Manoilescu's analysis, this proportion was estimated in 2015 at a level of 5.9 (Eurostat, 2016). Is such a thing able to change Romania's philosophy of foreign trade policy in 2016? Certainly not! Illustrative for its puzzling message is the fact that the communist system produced the most 'successful' validation of his model. The concept of a 'multilateral developed economy and society' based on forced industrialisation, irrespective of the outcome, and a closed economy smothered by economic protectionism was perfectly compatible with his thinking pattern.

For the case of an *industrial country*, the message of Manoilescu is equally oriented toward isolation. With a higher level of national average productivity, such a nation is ‘sentenced’ to import the needed agricultural products even though, naturally, there are favourable conditions for agriculture. Examples offered by his contemporary, Gheorghe Tasca, which controverted his arguments, did not convince Manoilescu to change his position. As Tasca pointed out, countries such as the USA or Canada, although highly industrialised, also remained major exporters of agricultural products (Tasca, 1938, pp. 40–42), but such evidence did not discourage Manoilescu at all. Concisely, such a message with a nationalist ‘substrate’ denies the classical principle according to which ‘the national value of a production branch is highlighted and measured by the cheapness degree of domestic products in comparison with similar products from abroad’ (Manoilescu, 1937, p. 39).

Furthermore, it replaces it with the principle of superiority related to national average productivity, which is just as damaging and unrealistic. On the one hand, it is damaging because it forces progress to be quantified taking into consideration an exclusive internal basis, irrespective of what is happening elsewhere. In this way, the country condemns itself to perpetual isolation and autochthony. It is unrealistic, on the other hand, given the fact that even in the days of Manoilescu, as well as today, countries were shaping their own trade policy considering prevalingly the signals sent by the international competition in which, like it or not, they were compelled to engage. These signals indicate whether or not they efficiently integrated into the world economic network.

Secondly, the alternative direct (industrial) path–indirect (commercial) path in acquiring an economic good seems to be a false problem. For a country that wants to procure an agricultural product, the commercial path appears perpetually to be worthy preferred to direct production if there is an inherent superiority of industry related to agriculture in terms of productivity (hypothesis admissible otherwise). The converse refers to the particular case of agrarian countries. We therefore provide a numerical example of the year 2014 that does not confirm the universal validity claim of the manoilescian principle, as highlighted in Table 1.

Table 1: Trade with industrial and agrarian products of emerging and developed nations, 2014

Trade with industrial products – agrarian/emerging nations – 2014 (millions of euro)			
	Products	Exports	Imports
Romania	Fuels and related materials	3109.3	5443
	Chemical products	2706.9	7986.9
	Manufactured goods	8646	12378.9
	Machinery and transport equipment	22186.2	20801.2
Republic of Moldova	Fuels and related materials	13.23	934.44
	Chemical products	144.77	655.5
	Manufactured goods	142.94	816.23
	Machinery and transport equipment	277.17	924.35
Trade with agrarian products – developed countries – 2014 (millions of euro)			
	Products	Exports	Imports
USA	Meat and meat preparations	16042.16	7337.40
	Dairy products	5067.28	2068.82
	Grain products	18775.73	2711.86
	Vegetables and fruit	20288.17	23223.19
Denmark	Meat and meat preparations	1282.62	3912.29
	Dairy products	2.05480	1649.25
	Grain products	50.3239	36.067
	Vegetables and fruit	1.35517	0.4776

Data source: Romania – National Institute of Statistics – International Trade Statistical Bulletin No. 9/2015; Republic of Moldova – National Bureau of Statistics of Republic of Moldova – International Trade Statistics; SUA – International Trade Administration, USA, Trade Stats Express database; Denmark – Statistics Denmark – External Economy – International Trade – www.statbank.dk.

As can be observed, the statistical data of the year 2014 highlight the non-viability of the manoilescian principle according to which industrialised countries must import agricultural products. Developed countries like the USA or Denmark have remarkable outcomes of agricultural products, such as grains, dairy products, fruits, vegetables or meat. In addition, emerging countries like Romania or the Republic of Moldova are focused on chemical products, manufactured goods, machinery and transport equipment or fuels, in terms of both imports and exports.

In the light of the two alternatives, the doubtful reasoning also receives historical confirmation. This revelation is offered by Douglass North, the Nobel laureate in Economics. In his book entitled *The Rise of the Western World: A New Economic History*, he credibly argues that economic growth has institutional, not technological, origins (North, 1973, pp. 2–3). According to his perspective, the phenomenon of economic growth dates from the seventeenth century, when the Netherlands obtained an advance over other countries, having clearly defined property rights and thus orienting its capital and labour toward the most useful activities. Agricultural and not industrial activities have thus proven to be the most effective ones. In other words, it results that in these countries, and later in England, the Industrial Revolution was prefaced by the Agrarian Revolution and not vice versa. The superiority of industry in terms of productivity, even if it existed, did not work as a guidance criterion for the onset of economic activity.

Thirdly, Mihail Manoilescu reproached the classical theory of international trade for the fact that it omitted from the analysis the quality of labour, reflected in his perspective, in productivity. There would be, in other terms, a counterbalance of a qualitative to a quantitative analysis. It is true that both Adam Smith and David Ricardo operated with costs: absolute costs in the former case, relative costs, respectively, in the latter one. Even so, in the battle for competitive costs (in their absolute or relative form), labour productivity is not neutral on the international market. It is already known in economics that precisely the growth of labour productivity illustrates the first solution in order to reduce costs. What we want to say, in other words, is that even this alleged gap in the classical theory is one without support.

Fourthly, Manoilescu essentially believed that the classical theory of international trade is reduced to the following principle: ‘if a domestic industry is running in conditions which are inferior to the one existing abroad, then, that country has to produce ...something else’ (Manoilescu, 1986, p. 276). Vexed by this ‘something else’, Manoilescu strived to prove its uselessness. What bothered him was the fact that this ‘something else’ was not a result of applying his own principle of national average productivity, but the classical principle of cheapness related to similar products from abroad. In fact, international labour division, as it operates in the globalised economy of 2016, does not validate the hypothesis of Manoilescu.

Here is one example. Austria, a highly industrialised country, did not produce and does not produce automobiles. The comparison, in terms of competitiveness, with its neighbour Germany, but also France or Italy, indicates that it would be better to import them. Consequently, Austria does this without running a balance of trade deficit. Romania, on the other hand, was never and is not yet an industrialised country, but it produced and is still producing automobiles. Until 1989, such activity ensured employment, meeting the manoilescian criterion of superiority related to weak national average productivity. Even so, the finished product, Dacia automobiles, proved to be an embarrassing low-quality good, given the fact that their production was placed under generalised protectionism and was not confronted with external competition rigours.

The same car, but manufactured this time under the French license of Renault, is successful today and sold worldwide. The Duster version has overpassed the number of production of 1.3 millions (Renault, 2014; Dacia Group, 2015). The explanation of such a fact also comes from the theoretical perspective of David Ricardo and not of Manoilescu. After 1990, the Romanian automobile industry faced international competition. Therefore, it was not the national average productivity, but the quality and performance from abroad that served as nodal landmarks. Furthermore, it was not the sharp increase in the Romanian national average productivity, but the French management and technical equipment that made it competitive. Statistically speaking, the national average productivity increased 5.06-fold, from \$3245.53 in 1990 (presently, the equivalent of 2928.44 €) to \$16422.65 in 2014 (or presently, the equivalent of 18200.87 €) (own calculations using data from the National Institute of Statistics, 1991, Eurostat, 2014 and European Central Bank, 2014), while deliveries from Dacia increased 5-fold, from 1 million vehicles produced in 1985 to more than 5 millions in 2014 (Dacia Group, 2014).

Finally, *fifthly*, Manoilescu impeached the classical theory of comparative costs concerning the fact that is supported on an unrealistic empirical base. It is true that Ricardo considered the superiority hypothesis of Portugal toward England in both wine and cloth. Starting from this point, he highlighted that the superiority of Portugal is greater in the case of wine, hence stating the need for its specialisation in wine production. England, on the other hand, had the lowest loss in the production of cloth, so obviously it was better for the country to specialise in this area with the lowest comparative disadvantage (Ricardo, 1969, pp. 125–127). Manoilescu is right not to take as true the fact that a country like England, placed in the midst of the industrialisation process, manufactured cloth in inferior conditions to Portugal.

However, Ricardo, the logician of the classical school, was not bothered at all by the unrealism of the starting assumptions. Following the popperian style (Popper, 1969), he began with a ‘conjecture’ admitting the possibility of contradiction, coming from the world facts, of the guiding principle emerging from the analysis and not of the starting hypothesis. The world of facts has never refuted him. Then, as well as today, competitiveness was defined following the Ricardian perspective, by comparing how ‘cheapness’ is acquired by those with whom you are competing in an open and globalised world. National average productivity can remain a criterion for internal analysis, but without having any relevance to an analysis that pretends to be a support for decision making in the international competition.

5. Other landmarks of manoilescian economic policy in relation to a global economy

International trade is not the only component projected on the basis of labour productivity. Manoilescu also set other elements, such as industrialisation, agricultural development and banking of monetary policy, on a route deriving from productivity. As he confessed, ‘in our analysis’, he states, ‘we started from a fundamental notion, that of productivity, which supports the whole argumentation line’ (Manoilescu, 1930, p. 4). The fact itself, considering productivity as one of the essential determinants of production factors’ allocation, does not pose any problems. Even so, the pronounced etatist and protectionist valences that such a support base imprint on the economic policy remain questionable.

Thus, *the coefficient of industrialisation* and its innate corollary – *the quality coefficient*, which captures both labour and capital efficiency (Manoilescu, 1940, pp. 107–111) – remain rightly calculated indicators, but they are neutral from the perspective of industry structural development orientation. Obviously, *the coefficient of national participation* is able to meet such a normative categorical need. The greater the coefficient is, the author stated, ‘... the more national, in the economic sense, the industry will be considered’ (Manoilescu, 1921, p. 8). ‘The economic sense’ and the one desired by Manoilescu might be translated in terms of genuine national capital participation in the foundation and development of the industry. In his case, he was referring to Romanian capital contribution. Romanian capital had to be mainly oriented toward heavy industries because, as the author emphasised, this was the only way to reduce ‘the necessity and importance of foreign capital in the establishment of the national industry’ (Manoilescu, 1923 b, p. 41). The refusal of foreign capital, usually perceived as a determinant of progress in its most advanced form, would seem strange even for a person like Manoilescu, living in the year 2000. The circumstances, in which foreign investments materialise, influencing the development level of a country, certainly remain open for analysis. Their positive influence was definitely not questioned. Just to take two examples from different worlds, what would China or Dubai look like in the absence of a substantial contribution of foreign investments? Not even Manoilescu would be able to find a comfortable answer to such a question.

Conversely, his philosophy concerning the development of agriculture remains accurate and up to date. He definitely understood the strategic role of this sector, given the contribution that it can make to ‘the enormous barn of Europe’ (Manoilescu, 1923 a, p. 17). The idea according to which modern agriculture cannot be shaped without clear property rights and a close connection with industry that might provide, alone, the necessary technical equipment appears evident to him. Even so, the smattering of contemporaneity of its doctrine is overshadowed by the entire subordination of development requirements to state prerogatives. His trust in a moral state cohabitating with the awareness of individual duty is smothering its alleged neo-liberalism to annihilation. According to his viewpoint, such binomial construction is able to guarantee successful development (Manoilescu, 1923 a, pp. 22–25). The scientific demonstration of a state’s intrinsically immoral side would come much later, in 1986, leading to a laureate Nobel Prize in Economics for James Buchanan (Buchanan and Tollison, 1972). Meanwhile, Manoilescu believed that state interventionism is not contrary to the freedom of initiative. Furthermore, he saw in the state a repository of rationality criteria that may guide the national effort (Manoilescu, 1923 a, pp. 56–57). His book *The Century of Corporatism* highlights the fact that he was the advocate of total social engineering, opposed to the free market spirit.

Moreover, in this work, he clearly suggested the need to force the population to be involved in cooperative activities in the context of transition from the extensive phase of economic development, in which freedom and market automatism play a central role, to a new stage, ‘an intensive one, defined by the adjustment and conscious coordination of economic factors, therefore, by a maximum of organisation’ (Manoilescu, 1934, p. 17). The faith in the state and the benefits of the etatist dirigisme acquires a dose of fatalism on the basis of his analysis. Here is what our author declared in this respect:

'We do not know and no one can predict which will be the social and economic forms of the future. There is one thing that might be anticipated and felt by all of us: that of the fact that economic and social life is evolving toward increasingly organised forms' (Manoilescu, 1923 a, p. 14). Admittedly, such forms found their confirmation in the closed society of communism and not in the free world. There, the 'socialist, nationalist and rationalist' manoilescian origins of planning were validated once more (Manoilescu, 1938, p. 4). If the market, with all its automatisms, has nothing left to say because it 'no longer guarantees and accomplishes anything', the state is clearly empowered with all duties (Manoilescu, 1938, p. 10). Within its attributions we might inclusively nominate the establishment of a 'strictly scientific' custom tariff as his contemporary, the Brazilian economist Pupo Nogueira, would appreciate it laudatorily, being delighted by the demonstration of etatist protectionism need proposed by Manoilescu (Nogueira, 1931, p. 113). Regardless of how scientific a calculated tariff would be from the manoilescian perspective, the world we live in and within which the enthusiasm for protectionism is not missing emphasises that protection is not the most beneficial or happiest solution policy to the market imperfections identified by Manoilescu, even today. Alternatively, at least it is proven that, applied to the long term, protectionism has negative, perverse effects.

There is no need for arguments from books to demonstrate that the world has not evolved toward 'increasingly organised forms' as Manoilescu believed, but toward an open society, in the popperian sense. This happened even though this new world based on freedom and creative intelligence competition is not exactly perfect. It is, however, the best form that humanity has ever experienced (Popper, 2005, p. 174). Furthermore, we have in our support the evidence highlighting that Manoilescu's beliefs did not and do not make history.

6. Conclusions

Addressing nodal issues of economic science and economic policy, Mihail Manoilescu inspired and kept alive the polemical spirit on registers that would have surprised even him. In his period of time, the analyses he carried out suggested a policy that found appreciation and support from economists and governments of some developing countries, especially Latin American nations. In these countries, aspects such as the need for permanent protection, economic development in the light of national spirit, on their own, in order to serve an interest, also national, or the clear refusal of a free market in setting the path to be followed, have found the necessary echo. Related to the global economy of the 2000s, the main ideas of the Romanian economist are no longer supported by the real facts. Not even does his country of origin, Romania, the reality of which he took into consideration when building his theory, confirm his theory any more. Such a thing happened only during the years of the alleged multilaterally developed communism. Under the total protection of an omnipresent state, Romania then produced uncompetitive goods externally, but 'satisfactory' ones internally, related to the poor national average productivity. Countries like Brazil and Argentina, where Manoilescu's name was consistently invoked, have abandoned a long period ago their following of the damaging indigenouslyness principle to which manoilescian analysis referred and have completely embraced the international competitiveness path. In other words, those nations have guided themselves by the 'cheapness degree of their own products related to similar goods from abroad' and not by the national average productivity.

Concisely, the concepts of nations, national average productivity or related costs, although available in economic theory, cannot be used in order to support a manoilescian kind of message. Manoilescu's critical attitude toward the classical theory of international trade holds attention as a meditation source. In other terms, the deep intellectual and cultivated person that Mihail Manoilescu was remains alive and attractive even when the truth is not on his side. There are some manoilescian aspects, such as gaining individual interest under the collective national one, the transposition of national average productivity in the decision-making process of economic policy as well as the placement of the 'moral' state in the middle of such activity, that are rejected by the global economy in his profound alchemy.

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