

## Mihail Manoilescu – Inspirational Even when He Is Not Right

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***Abstract.** Mihail Manoilescu is part of the series of those economists criticized in different ways, from the exaggeratedly appreciatively reviews to those that do not recognize any of his merits. The success of an analysis to place him where he rightfully belongs is related to taking into consideration a criterion –that of historical time in which Mihail Manoilescu formed himself as a state man and a science man. Only like this, only when thinking about the inter-war period, of great creative effervescence, of real renaissance for Romania, of affirmation and consolidation of the economy and of the Romanian state, of his imposing in the world economy, we can understand better the logic of his starting premises and of his judgments he based his theory on.*



**Key words:** Classical school; international trade; productivity; polemic.

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Because the faith placed him in the middle of some crucial events for the history of Romania, whose evolution he partly influenced, since he took care of the central problems of the economy, as a science and phenomenon in itself, playing his whole native ingenuity and recognized polemic spirit, Mihail Manoilescu was and remains, through his work, an exhaustless subject of meditation, theoretical reflection and generous source of doctrinaire analysis. Engaged in the liveliest disputes of the time regarding crucial problems of the economy and economic politics and not only, Mihail Manoilescu is part of the series of those economists criticized in different ways, from the exaggeratedly appreciatively reviews to those that do not recognize any of his merits. We believe this is what happens with the great ravaging and inciting spirits, which try to change judgment registers and propose new paths where the fashionable paradigms does not leave room for the deviations from normality.

It is difficult to grasp, in few words and little sketches, the complexity of the phenomenon named Mihail Manoilescu. A rich critical Romanian and foreign literature has plentifully accomplished here, its duty. What I believe I must say here is that myself, the author of these lines, did not make exception and was one of the analysts who expressed opinions which could be placed both in the plusses and minuses rubric, continuing to believe that any stop, besides necessary, at his work, was of nature to engage but also to change opinions apparently consolidated.

Looking at things retrospectively, namely what Manoilescu represented for the Romanian and universal science, considering what others, including me, wrote about him, I *mainly* believe that the success of an analysis to place him where he rightfully belongs, in the gallery of great spirits of the Romanian people, is related to taking into consideration a criterion – that of historical

time in which Mihail Manoilescu formed himself as a state man and a science man. Only like this, only when thinking about the inter-war period, of great creative effervescence, of real renaissance for Romania, of affirmation and consolidation of the economy and of the Romanian state, of his imposing in the world economy, we can understand better the logic of his starting premises and of his judgments he based his theory on.

Allowing the historians explain his ideological brilliancies and his pirouettes to which the ingratitude of faith engaged him as a state man, we are only trying to review, more than succinctly, what Mihail Manoilescu represented for the *history of economic doctrines*.

From such a perspective, we consider necessary to emphasize that Mihail Manoilescu was himself vexatious and a source of confusion. In his paper with epistemological character *Attempts in the philosophy of economic sciences* he writes that, without his will to interpret that the “Purpose of the economic science .... can only be *knowledge*: fixing the notions and establishing the connections between them, meaning establishing laws.” In order to be science and if it is science, the political economy can only have as purpose knowledge (our emphasis) (Manoilescu, 1938, p. 65). It is difficult to mention how much Mihail Manoilescu believed in this affirmation under the conditions in which very few of the lines written by him remain at the positive floor of economical science, that of knowledge. Its fundamental theoretical construction, built on the idea of international changes, of protectionism, of industry development, of agriculture, trade, etc. is one which always refers to the normative floor, inspirer of economic and social politics. This is in our opinion one of the places generating false enthusiasms. If we took as credible his statement about the purely illuminist purpose, of disinterested knowledge of economic science, and if we accept, and we have reasons to do it, that Mihail Manoilescu made science, then its theoretical construction, unlike that referring to the international trade and protectionism, garnished with logical arguments situated in an impeccable causality relation, is impossible not to strike and enthuse. The same way in which, even if the comparison is forced, you can become enthused today of the impeccable logic that the author of the *Capital* exposed his theory with, considering even one of his statements as being valid. This until you remove the ideological shell and ascertain what the road end suggested by its delusional theoretical composition is. This is not the case for Mihail Manoilescu. Still, you cannot resist the temptation to ask yourself, today, which is, in his case, the road end suggested through the statements from the *Theory of protectionism and international trade*.

We admit that we cannot offer an answer, in totality, to such an audacious question. Throwing the glove, but not to anybody, but to the classical school logician David Ricardo, Mihail Manoilescu proposed himself to oppose him through counter-arguments and to divert his conclusions. If he managed, this only happened in the positive floor plan, which he pretended he served. As regards the normative-doctrinarian floor, the history of facts and the contemporary evolution of the world evolution find their correspondent and explanation in Ricardo’s statements rather than in Manoilescu’s ones.

Therefore, *it is difficult not to agree with the fact that:*

1. The merchandise is paid with other merchandise and that... it depends, thus, very much from the facility with which a country produces the necessary merchandise for exchange in order to decide if an exchange operation with foreign countries can be considered advantageous or disadvantageous (Manoilescu, 1987, pp. 179-180).

Here, the essence of a fundamental principle according to which the manner and efficiency with which you undertake exchange operations depend on the capacity and facility with which you are capable to create the buying power in production, is comprised. Starting from such a judgment, the criterion according to which a country-whose currency is not a means of solving the international obligations, must see in commerce a production problem – not only does it stand but also makes Manoilescu a revolutionary of the international trade theory. Too bad he did not stop to this criterion.

2. The productivity of work that sends to the *quality* of the method, in which the human energy is consumed, is a serious element in the analysis of economic results, including when they are obtained in the perimeter of international exchanges. Its calculations regarding the superiority, from this point of view, of the industrial activity compared to the agricultural ones, and, as a consequence, the transfer of occupations from agriculture towards the industry as bringing profit for the country, remain strong points of Manoilescu’s construction.

This thing occurs in the conditions in which the fashionable criterion operating was that of “equal work against equal work.”

3. The civilized countries of the world, France and England, were initially developed, based on a politics of protectionist type and only afterwards, after they created roots, they were opened to the free commerce. Moreover, the theorem according to which the protectionism will always exist because as he claims, a complete leveling of the work productivity will never be achieved in the interior of a country or between countries remains still valid.

These are not the only places where Manoilescu has to communicate today and where he is an inspirer.

At the same time, as we previously mentioned, there is also a normative floor and on this one, Mihail Manoilescu did not win the battle with the classical school, and especially with David Ricardo.

The fact that, here, its economic philosophy fades, is due, in our opinion, to *its starting premises*. What he considered a constitutive element of his methodological revolution placed his conclusions on a ground in disagreement with the realities of the contemporary world.

We know that the methodological system of Mihail Manoilescu starts by calculating "...each country as a distinctive unit in the international commerce..." (Manoilescu, 1987, p. 173). In other words, Manoilescu makes a distinction between the individual national and selfish gain, and from this idea, only the *nation*, the *state*, can be advantaged or disadvantaged compared to the foreign countries. Nobody can be bothered by the fact that the state, the nation welfare, is considered reference system in an economic analysis. Only that, in an economy that tends to be more and more globalized, or, after the inspired expression of Thomas Friedman in a "flat" world (Friedman, 2007), the actors of the economic life no longer seem to be the nation-villages, in Manoilescu sense.

Then, as we already mentioned, a fundamental methodological hypothesis meant, according to Manoilescu, to break down the system of classical judgment, is the quality of work, reflected in *productivity*. Manoilescu was not satisfied with the criterion according to which what is important is the conditions of efficiency in which the exchange merchandise are produced, to know whether your trade activity is favorable to you or not. Unfortunately, he completed his "revolution" introducing in the analysis the attractive and also the deceiving criterion of the *national labour productivity average*.

According to his opinion, it is good to produce and protect only those goods whose level of afferent productivity exceeds the national average. Proposing and sustaining such a criterion, Manoilescu:

A. *Condemned to isolation*, substituting the generous, the universal and the engaging principle of costs compared to that of "nationalism" of the afferent productivity. Based on the criterion proposed by Mihail Manoilescu you risk reporting yourself only to yourself: you risk living the disillusion of some "exceptional" achievements, but which are only absolute, purely Romanian, obtained only in report with yourself and not with others. When you find out what others do, it could be too late, the competition is already lost. We do not

hide the fact that such a criterion, narcissist through its nature, managed the Romanian politics from Mihail Manoilescu until today.

B. He proved to be the *artisan of a disintegrating vision about the structure and mechanism of national economy functioning*. Taking into account that, passing from agricultural occupations to the industrial ones, a country can only benefit from this, Mihail Manoilescu over-solicited this criterion. It was no news the ascertainment that the agriculture work is 4.35 times less productive than the one from industry. Despite all this, the civilized countries never thought of creating a hierarchy for the economic development problem starting from a certain principle. Moreover, the consecrated authors of the theory of property rights when trying to fix the beginnings of the economic increase in the world say that they are found in the Netherlands where the respective nations were equipped with a system of modern institutions capable to motivate and contribute to allocating resources, of capital and world, towards the most useful activities. And the most useful, not the most productive ones, proved to be the agricultural activities and not the industrial ones. In other words, it results that the industrial revolution, initiated by the Netherlands and... afterwards, England, was prefaced by the agricultural revolution and not the other way round (North, 2003). On the other hand, even if we follow Mihail Manoilescu's thoughts, the exodus of rural-urban population, desirable and easily ascertainable, it is the *result* of a natural evolution, from the interior, of what is produced in the interior national economy and not the end of road of any *planned project*. The agriculture in the advanced countries if left for 3-5 % of the population because the work productivity, here, increased so much as to make this thing possible.

C. Although, implicitly and with vague contingences, he declared himself a liberal, the theoretical statements *do not make him a partisan of the free market*. Stopping only sporadically at Adam Smith to duel with Ricardo, Manoilescu did not understand that productivity is not a question of social engineering; that it is not necessary to trace directive lines so that work is consumed with great efficiency. In exchange, it is necessary to leave the market do its job. If you act like this, in full Smithian optics, the logic of exchange, derived from the work divisions, obliges each individual to use his hands or mind at producing those goods to which he has application, especially because "work as little and comfortable as possible", to enter into the possession of as many foreign goods as possible. In this way, Smith tells us, the work division deepens, the result being the increase of personal

and collective productivity and richness. In order for something like this to happen, we do not need illuminated despots or state planning organisms. The individuals must only manifest themselves freely on the market.

Then, also for supporting this statement, comes the weak preoccupation of *Mihail Manoilescu for the destiny of products*. Absorbed by the level of productivity as such and the necessary exodus of work towards the branches with high productivity, Mihail Manoilescu seems to forget the faith of goods achieved in the branches with a higher and higher productivity. Only when faced to a limit problem, only when he has to answer the phantom question, that will occur with the production if all the countries in the world will be obsessed by this chimera of continuous climbing on the productivity scale, only then does the episode remain singular, it says that “the regulation of quantities of goods necessary for the humankind is made automatically with the help of the constant mechanism of prices” (Manoilescu, 1987, p. 297).

D. He has built a theory of protectionism with values recognized universally, extraordinarily well connected and with arguments, a theory that cannot be avoided by any serious economist. Besides his theoretical percussion, the evolution of facts after this type of undifferentiated and unlimited protectionism, can only be damageable according to the example of Romania.

There is no doubt that the pros and cons at Mihail Manoilescu’s demarche still exist and that as long as it will be more and more thoroughly analyzed we will discover parts of his work less known to us. It is still suitable for us to think that a mind so natively endowed and open to the dialogue, if we could bring it today among us, could certainly reduce the series of arguments that are against him. In the lack of such a chance, we must remember that Manoilescu was and remains a great economist; that he opened bridges and directions of analysis in fields of great interest and that, when we are tempted not to give him justice, he remains the inspirer through live polemic dialogue he always engages us in.

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