



Gheorghe Zane Institute for Economic and Social Research

**Economy and Contemporary Society**

Journal homepage: [ecs-journal.ro](http://ecs-journal.ro)



Empirical Article

# **A Reassessment of the Effectiveness of State Financing and Credit Policies for Small-Scale Agricultural Holdings and Rural Development in Interwar Romania (1918–1939): Historical Lessons and Contemporary Parallels**

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## ARTICLE INFO

### *Article history:*

Received 1 October 2025

Revised 24 October 2025

Accepted 4 November 2025

First published online 12 November 2025

### *JEL classification:*

N14; N54; O13; Q14; Q18

### *Keywords:*

Interwar Romania

Agrarian reform

Small-scale agricultural holding

Agricultural credit

Debt conversion

Cooperative

Price valorization

## ABSTRACT

Against the backdrop of current debates on rural resilience and the sustainability of small farms, this study reassesses state financing and credit policies in interwar Romania (1918–1939). Using a mixed design—archival statistical series, reconstructed macro aggregates, the 1930 General Census, demographic monographs, and qualitative sources (parliamentary debates, ministerial and cooperative reports, and agrarian doctrines)—it evaluates the effectiveness of land credit, cooperative finance, debt conversion, fiscal interventions, and cereal valorization for small-scale holdings. Evidence shows that, although policy ambition was high, effectiveness was limited by chronic undercapitalization, fragmented collateral, shallow intermediation, low agrotechnical adoption, adverse price shocks after 1929, and persistent human-capital and health-nutrition constraints. National wealth data reveal a land-heavy balance sheet even in 1938–39; Purchasing Power Parity (PPP) benchmarks indicate modest per capita levels by European standards and weak convergence. The article distills lessons for contemporary policy: finance is effective only when embedded in organizations, inputs, and risk-sharing arrangements that enable small farms to translate liquidity into capital deepening, productivity, and income stability.

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## 1. Introduction

### 1.1. *The agrarian economy and a contested “Golden Age”*

Public discourse has long portrayed the agrarian economy of the interwar Kingdom of Romania (1918–1939) as a moment of promise and transformation. Yet a sizeable strand of scholarship, especially comparative work and foreign observers, offers a more critical and granular reassessment, indicating that Romania's socio-economic performance was, on balance, modest and uneven when set against European benchmarks (Axenciuc, 1992, p. 247; Axenciuc, 2000, p. 331; Constantinescu, 1997, p. 11; Good & Ma, 1999, p. 118). The crisis of the early 1930s did not generate fragilities *ex nihilo*; it exposed pre-existing structural weaknesses: low agricultural productivity, fragile capital formation, and uneven access to credit for the majority of small-scale agricultural holdings. Despite this evidence, an idealized narrative of the interwar era persists in public memory sustained by selective indicators, urban-centered perspectives, and the rhetorical weight of nation-building after 1918 (Berindei, 2001, p. 21; Boia, 2009, p. 155).

Following the 1918 unification, Romania pursued an explicitly Western-oriented modernization while navigating a domestic tension between liberal non-intervention and state activism. Policy thinking converged on a shift from a predominantly agrarian economy toward an agrarian-industrial one, with legislation and public institutions acting as principal interfaces between state, markets, and society. Outcomes were often positive but modest in scale, reflecting a shallow technical base and underused human and material potential relative to Western benchmarks (Economia României după Marea Unire, Vol. I, 2019, p. 18).

*A macro baseline reinforces this cautious view:* Statistical series from the Maddison tradition show that Romania's GDP per capita, measured in 1990 Geary-Khamis international dollars (Purchasing Power Parity (PPP)), remained stagnant: approximately \$1,258 (1926), \$1,144 (1932), and \$1,242 (1938). Relative performance declined from  $\approx 63\%$  of Western Europe's average in 1913 to  $\approx 58\%$  in 1929 and  $\approx 51\%$  in 1938; by 1938, it reached only  $\approx 20\%$  of the U.S. level (Maddison, 2001, p. 185). Complementing flows with stocks, evidence from the National Wealth indicator, (*Avuția Națională* or AN), as calculated by Victor Axenciuc, shows that by 1938–1939 agriculture still constituted circa 45.2% of the wealth stock (in “gold lei”), while net wealth per capita was around 2,213 gold lei, with sectoral per capita analyses included within the same framework (Axenciuc, 2000, pp. 269, 273).

Placing small-scale agricultural holdings at the center is essential. Locally and regionally, peasant households were the primary units of production and

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consumption, sustaining reciprocity networks, petty trade, and informal credit that bolstered village resilience. Their actions set the local multiplier: when prices fell or credit became restricted, input purchases and consumer demand diminished, propagating shocks to artisans, traders, and cooperative stores (Gusti, 1938, p. 550; Frunzănescu & Dumitrașcu, 1940, p. 15). Nationally, small-scale agricultural holdings were numerically dominant and pivotal to export composition, fiscal revenues, and the execution of the 1921 agrarian reform. Their structural characteristics—fragmented plots, inadequate collateral, low capital-labor ratios, and cereal specialization—shaped macroeconomic outcomes: limited capital deepening, unstable farm-gate incomes, and sluggish adoption of the “second agricultural revolution” (fertilizer application, mechanization, enhanced seed and storage) (Axenciuc, 1992, p. 399; Axenciuc, 2000, p. 158; Șandru, 1973, p. 285; 1975, p. 207; 1980, p. 89).

*A census anchor for “Greater Romania”:* Serving as a statistical foundation for the expanded economy, the General Census of the 29th of December 1930, the inaugural scientific enumeration of the entire territory, recorded 18,059,896 inhabitants across 295,040 km<sup>2</sup> and uniquely conducted three concurrent operations (population, enterprises, buildings/dwellings). It pioneered the simultaneous recording of ethnicity, mother tongue, and religion and utilized mechanographic processing with equipment funded by the Rockefeller Foundation, attributes that rendered it one of Europe's most advanced censuses (Manuilă & Georgescu, 1937, pp. 79–83; Institut Central de Statistique, 1940, pp. 37–38; Gusti, 1938, Vol. I, pp. 133–160).

*Credit, crisis, and conversion:* This study reassesses the effectiveness of interwar state financing and credit policies for small farms. Rather than cataloging measures, we ask whether, how, and under what conditions instruments relaxed binding constraints, such as limited collateral, high indebtedness, thin intermediation, and poor market access, and whether liquidity led to capital deepening, productivity gains, and income resilience (Bozga, 1975, p. 122; Dobre, 1996, p. 45; Axenciuc, 1997, p. 160; Axenciuc, 2000, p. 332).

## **1.2. Research objective, scope, and contribution**

*Objective:* To evaluate the effectiveness of interwar state financing and credit policies for small holdings, defined as their capacity to increase (i) capitalization, (ii) productivity, and (iii) resilience to price shocks.

*Scope:* The years 1918–1939 represent a cohesive political-economic cycle, commencing with post-war reconstruction and legislative unification (culminating in

the 1921 reform) and concluding with the political rupture of 1939, marked by wartime mobilization and emergency controls.

*Contribution:*

- Synthesizes diverse sources—long-term statistical series, legislative texts, institutional reports, and sociological studies—into a singular evaluative framework.
- Integrates macroeconomic (prices, national accounts, terms of trade) and microeconomic (farm accounts, indebtedness, cooperative reach) evidence to delineate transmission channels from instruments to outcomes.
- Situates Romania within a comparative (regional/European) context and establishes historical-contemporary parallels for the design of today's small-farm finance.

*Preview indicators:* By the late 1930s, the multi-year average yields (1935–1939) were approximately 10.4 quintals per hectare for wheat and 10.8 quintals per hectare for maize, below the 1911–1915 benchmarks of 11.5 and 13.6 quintals per hectare, respectively. The industrial-to-agricultural price ratio was approximately 1.93 in 1938 (with 1913 as the base year of 100), and the per capita agricultural output averaged approximately 238 gold lei from 1935 to 1939 (Axenciuc, 2010, Vol. II, p. 104; Axenciuc, 1996, pp. 731–732, 823).

## **2. Literature Review**

### ***2.1. Interwar macroeconomic performance and the convergence debate***

Comparative economic history tempers the optimistic narrative of accelerated modernization. Cross-country reconstructions of product and income per capita indicate limited convergence and a sustained structural disparity by the late 1930s (Bairoch, 1976, p. 280; Berend et al., 1977, p. 18; Good & Ma, 1999, p. 118; Harrison, 1994, p. 7; Axenciuc, 2000, p. 331; Axenciuc, 2006, p. 112). Maddison's Purchasing Power Parity (PPP) baselines demonstrate that Romania commenced the interwar era from a modest position and failed to reduce the relative gap by 1950 (Maddison, 2001, p. 185). According to Murgescu's long-term perspective, pre-modern expansion was predominantly extensive, with peripheral economies rarely surpassing Western Europe (Murgescu, 2010, p. 114). *Comparative anchors:* In 1937, Romania's GDP per capita was \$1,237, ranking below Czechoslovakia (\$1,948), Hungary (\$1,599), Poland (\$1,372), and Yugoslavia (\$1,275), and only slightly above Bulgaria (\$1,148). In 1938, national income per capita was \$76 in Romania, compared to \$378 in the United Kingdom, \$338 in Germany, \$237 in France, \$174 in Czechoslovakia, and \$104 in Poland, placing it near Greece (\$80) and Bulgaria (\$68) (Maddison, 2001, p. 185;

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Axenciuc, 2000, p. 331).

## **2.2. National wealth, measurement baselines, and external/monetary shocks**

Evidence on national wealth (*avuția națională* or AN) shows a gradual buildup after accounting for wartime losses, reconstruction, and valuation impacts; agriculture continued to hinder capital deepening. *Structural configuration* (“staircase”): The proportion of agriculture in national wealth decreased from 77.2% (1860–64) to 61.4% (1900–04) and 57.2% (1912–14), increased to 62.0% (1920–22), and then fell to 45.2% (1938–39), indicating gradual structural change, with land remaining significantly influential in the late 1930s (Axenciuc, 2000, p. 274). Methodologically, we utilize Axenciuc's gold lei reconstructions and conversion notes (gold/foreign liabilities) that adjust 1938 values to a 1913 baseline (Axenciuc, 2000, pp. 269–270).

## **2.3. Small-scale agricultural holdings: Structure, labor, and productivity**

The 1921 reform expanded ownership but exacerbated fragmentation, solidifying cerealism and hindering the adoption of advanced technology (Axenciuc, 1992, p. 306; Axenciuc, 2000, p. 158). Indicators—reduced fertilizer application, elevated hectares-per-tractor ratios, and deficiencies in seeds and storage—continued into the late 1930s; modern studies indicate low capital-labor ratios and restricted mechanization (Frunzănescu & Dumitrașcu, 1940, p. 15; Gusti, 1938, Vol. I, pp. 133–160). Interwar censuses documented increasing fragmentation and social differentiation: by 1930, numerous holdings were insufficient to support a household; by 1941, nearly one-fifth of units were under 1 hectare, comprising approximately 3% of the area, with a sparse layer exceeding 10 hectares (*Economia României după Marea Unire*, Vol. II, 2019, p. 41). By the early interwar period, almost three-quarters of the labor force remained employed in agriculture, with around 60% of arable land farmed by holdings under 10 hectares. *Demographic and literacy constraints*: The encyclopedia's population chapter compiles facts from 1930 regarding literacy and occupation, highlighting rural illiteracy and gender disparities (Gusti, 1938, Vol. I, pp. 133–160; Manuilă, 1940, pp. 246–249; Șandru, 1980, pp. 7–15).

## **2.4. Policy framework and rural finance: Instruments, reach, and timing**

Historical accounts converge on an asymmetric financial architecture: industry benefited from earlier and larger financial vehicles, while specialized agricultural finance for small-scale agricultural holdings was introduced later and remained limited (Dobre, 1996, p. 45; Axenciuc, 1997, p. 158; Axenciuc, 2006, p. 255).

The cooperative movement, formalized by the 1929 Law on Cooperation, instituted a hierarchical structure of local societies, regional unions, and a National Office, but resources were constrained. Policy functioned through a complex institutional framework, ministries, decree-laws, cabinet records, councils, connecting design to execution (Economia României după Marea Unire, Vol. I, 2019, p. 133). The encyclopedia's synthesis enumerates *Creditul Funciar Rural* (Rural Mortgage Credit), *Creditul Agricol* (Agricultural Credit), *Casa Rurală* (CR, Rural House), and subsequently specialized vehicles, explicitly indicating that the 1934 conversion incapacitated agricultural credit despite social relief (Gusti, 1943, Vol. IV, pp. 593–597; particularly p. 594). *Regulatory-institutional “triplet” 1929*: A technocratic dirigiste framework supported the execution of interwar policies: the legislation concerning public enterprises and assets established a supervisory High Council and a “menu” of organizational structures—lease, concession, commercial public “*regie*”, mixed “*regie*”, and cooperative “*regie*”—incorporating commercial criteria, ex-ante/ex-post oversight, and arbitration mechanisms (1929 Law, art. 1–2, p. 4; art. 26–31, p. 15). The *Law of Employment Contracts* established a comprehensive framework for apprenticeships (*duration, probation, training responsibilities, registers/sanctions*) and for individual/collective contracts, essential for correlating credit with skills development in rural agro-industry (art. 8–10, p. 6; art. 26–30, pp. 10–11). The Law of Cooperation established the apex *National Office* (ONCR, *Oficiul Național al Cooperăției Române*) with authority over direction and control, including the power to dissolve unions, alongside regulations for capital and excess distribution. This indicates that “small credit” is only elastic when accompanied by governance and services (art. 26, pp. 9–10; art. 78–79, pp. 27–29); (Public Enterprises Law, 1929; Employment Contracts Law, 1929; Cooperation Law, 1929).

### **2.5. Ideas, narratives, policy rationale and doctrinal counterpoints**

Debates and sociological inquiries highlight the conflict between industrial-centric modernization and ruralist remedies positioned as stabilizers and protectors of social order (Constantinescu, 1997, p. 25; Gusti, 1938, Vol. I, pp. 17–32; Berindei, 2001, p. 21). Interpretive works caution against idealization and emphasize structural limits (Boia, 2009, p. 155). Georgescu-Roegen (1997, p. 4) elucidates the trade-offs between pricing regimes and export-oriented policies. Interwar neoliberalism (Manoilescu, *Institutul Social Român* (ISR, Romanian Social Institute)). Manoilescu advocates for a revitalization of liberalism: safeguarding freedom and democracy while rectifying historical inequities through equality of opportunity and constraints

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on all forms of oppression including that imposed by capital, thereby legitimizing a selectively organized state (Manoilescu, 1923, pp. 141, 147, 155). This doctrinal position legitimizes commercial public registers, regulated concessions, and apex organizations such as the National Office (ONCR, *Oficiul Național al Cooperăției Române*) to address market imperfections—precisely the mechanisms observed in 1929 (*Institutul Social Român* (ISR, Romanian Social Institute) lectures). Pro-estate perspective versus counter-critique: Garoflid (1920, 1938) advocated for estates as more productive; Ernest Ene (*Partidul Național Liberal* (PNL, National Liberal Party)), (1927) regarded them as essential for seed and livestock selection as well as village leadership; Nemoianu (1941) argued that numerous estates were inefficient and that grain exports indicated low rural living standards (Șandru, 1980, p. 143). The agrarian question persisted unresolved.

## **2.6. European benchmarks and external constraints**

Late industrialization, agrarian dependence, and vulnerability to global price shocks restricted policy options throughout Eastern and Southeastern Europe (Bairoch, 1976, p. 280; Berend et al., 1977, p. 18; Good & Ma, 1999, p. 118; Svennilson, 1954, p. 55). In the 1930s, domestic policy transitioned from export liberalization to the implementation of licenses and quotas, accompanied by a significant increase in tariffs, with the exception of machinery. Occasionally, special promotion laws conferred near-monopoly circumstances; notwithstanding increased protection, customs revenues declined (1933–1939) as export relief expanded (*Economia României după Marea Unire*, Vol. I, 2019). Within Murgescu's comparative framework, Denmark and subsequently Ireland attained sustainable convergence, whereas Romania and Serbia did not.

### **2.6.1. European and Balkan comparative context**

Across the Balkans, agrarian population proportions were significantly elevated, and export portfolios were predominantly comprised of a limited number of primary commodities, resulting in considerable susceptibility to fluctuations in global prices. Approximately 72% of Romania's population was engaged in agriculture, with over 70% of exports consisting of agricultural products such as grains and oilseeds. The most significant reform was the 1934 debt conversion, which involved a uniform 50% reduction, extensive rescheduling, and a 3% interest rate (Vulcănescu, 1936; *Monitorul Oficial*, 1937). Bulgaria, characterized by around 75% agrarian activity and over 85% agricultural exports, primarily in tobacco and grains,

implemented moratoriums, price restrictions, and state monopolies. Interwar Yugoslavia (about 76%; over 75% agricultural exports: cereals/live animals) employed moratoriums and partial conversions. Greece (about 60%; over 80% of agricultural exports: tobacco/raisins) depended on protectionist measures and production/price regulations. These orders of magnitude indicate late industrialization and limited export bases, which restrict policy options and exacerbate the transmission of external shocks (Bairoch, 1976, p. 280; Berend et al., 1977, p. 18; Good & Ma, 1999, p. 118; Sventnilson, 1954, p. 55).

### **2.7. Gap addressed by the present study**

Three enduring issues persist: (i) inventories of measures infrequently assess effectiveness for small-scale agricultural holdings using outcome criteria; (ii) macro narratives and micro evidence are rarely integrated to elucidate transmission channels; (iii) connections between historical and contemporary small-farm packages remain inadequately developed. Building upon the works of Axenciuc (1992, 1997, 2000, 2006, 2010), Dobre (1996, 1997), Bozga (1975), Constantinescu (1997), Berindei (2001), Bairoch (1976), Berend et al. (1977), Good and Ma (1999), Harrison (1994), Dresdner Bank (1930, p. 25), Fischer and Armengaud (1987), Frunzănescu and Dumitrașcu (1940), Georgescu-Roegen (1997), Gusti (1938), Scurtu (2003, p. 115), King (1923), Stamp (1919), Sventnilson (1954), Maddison (2001), Murgescu (2010), Woytinsky (1933), and *Economia României după Marea Unire* (2019, Vols. I–II), the article posits an operational criterion for policy effectiveness and examines instrument-to-outcome pathways from 1918 to 1939.

### **2.8. Georgescu-Roegen: Entropy, arithmomorphic critique, and bioeconomics**

Three significant Roegenian insights are (1) Arithmomorphic critique and model humility, (2) Stochastic asymmetry—economic downturns propagate more rapidly than recoveries, and (3) Bioeconomics and entropy—output is contingent upon exosomatic organs (tools, machines, storage, and transport).

## **3. Methodology**

### **3.1. Sources and data design**

This study utilizes a mixed corpus of laws and decrees, legislative debates, ministerial and cooperative reports, sociological inquiries, Axenciuc's extensive reconstructions (agricultural; *Avuția Națională* (AN, National Wealth); *Produsul Intern Brut* (PIB, Gross Domestic Product)), cross-country benchmarks, early wealth–income

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anchors, and Maddison-type Purchasing Power Parity (PPP) baselines. PPPs are regarded as conservative anchors (Murgescu, 2010, p. 34). Demographic framework derived from the 1930 General Census. The 1930 census (directed by Sabin Manuilă) serves as the primary reference point; the encyclopedia integrates levels/structure and literacy/occupational distributions utilized (Manuilă, 1940, pp. 246–249; Şandru, 1980, pp. 7–12; Gusti, 1938, Vol. I, pp. 133–160).

### *3.1.1. Territorial alteration and comparability*

Normalization per capita and per hectare maintains comparability (Axenciuc, 2002, Vol. II, pp. 100–105).

### *3.1.2. Demographic framework and interpolation*

Interpolation between benchmarks is cautious due to the deficiencies of previous censuses and significant migrations post-1918. Literacy and school non-attendance (ages 7–12) from the 1930 census volumes proxy adoption ability (*Recensământul 1930*, Vol. III; Şandru, 1980, pp. 9–13).

### *3.1.3. Natural constraints: Precipitation as a determinant*

Annual precipitation data correlated with wheat and maize yields to partially elucidate weather shocks (Axenciuc, 2002, Vol. II, p. 101).

### *3.1.4. Land reform, tenure, and farm-size distributions*

Multi-date size distributions associate fragmentation with production and indebtedness (Axenciuc, 2002, Vol. II, p. 206).

### *3.1.5. Mechanization, inputs, and technology disparities*

Indicators such as machines, draft power, livestock equivalents, and fertilizer illustrate the disparity persisting until the late 1930s (Axenciuc, 2002, Vol. II, pp. 101, 206).

### *3.1.6. Prices, valuation, and constant-price series*

Crop and animal output in 1911–1913 prices; multi-year averages indicate significant deflation (Axenciuc, 2002, Vol. II, p. 104; Axenciuc, 1996, pp. 731–732).

### 3.1.7. *Agricultural holdings, accounts and rural indebtedness*

Peasant budgets, capital stocks, and 1932 debt maps categorized by owner, region, and loan type connect balance sheets to policy implications (Axenciuc, 2002, Vol. II, p. 206).

### 3.1.8. *Archival sources for future research*

Although this study relies on public statistical and qualitative data, a more nuanced micro-level analysis would be enhanced by primary archival research at the *Arhivele Naționale Istorice Centrale* (ANIC, Central National Historical Archives). Significant collections pertinent to interwar agrarian policy encompass the archives of the *Președinția Consiliului de Miniștri* (Presidency of the Council of Ministers), the *Ministerul Agriculturii și Domeniilor* (Ministry of Agriculture and Domains), the *Ministerul Industriei și Comerțului* (Ministry of Industry and Commerce), and the *Banca Națională a României* (BNR, National Bank of Romania). Moreover, particular institutions pertinent to this paper's subject, including the *Casa de Administrare și Împroprietărire a Țăranilor* (CAM, Agency for Peasant Land Administration and Allotment) and the *Oficiul Național al Cooperăției Române* (ONCR, National Office of Romanian Cooperation), possess records that may offer detailed insights into the execution and effects of state policies.

## 3.2. *Research design*

Periodization (1918–1928; 1929–1934; 1935–1939); mixed methods; efficacy indicators (access, capitalization, productivity, and income resilience); currency/valuation notes; qualitative modules; covariates.

## 4. *Historical and Structural Context (1918–1939)*

### 4.1. *Peasantization, fragmentation, and gradual urbanization*

Post-reform fragmentation increased micro-plots, but urbanization had only a modest rise from 1939 to 1948, indicating a surplus of rural labor. Around 1912, over 79% of the active workforce was engaged in “soil exploitation”; roughly 98% of agricultural workers were rural, while about 68% of non-agricultural workers were urban (Axenciuc, 1996, pp. 22–23; Șandru, 1980, p. 94).

#### 4.1.1. *Occupational structure and the issue of “urban absorption”*

In 1930, around 80% of the population resided in rural areas, with nearly 80% of the active workforce engaged in agriculture; among the rural workforce, about 96%

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were involved in farming (Manuilă & Georgescu, 1937, pp. 80–83; Gusti, 1938, Vol. I, pp. 133–160).

#### *4.1.2. Regional heterogeneity*

County and city records illustrate interwar population densities and urban expansion, thus corroborating the urban-absorption constraint (Gusti, 1938, Vol. II, e.g., pp. 525–526, 529, 533, 539, 544, 554, 634, 642, 655–656, 663, 684, 687, 694, 697).

#### *4.1.3. Migration and first de-ruralization*

Industrialization was insufficient compared to the natural rise in rural populations; price shocks significantly impacted peasant financial stability (Murgescu, 2010; Axenciuc, 1996, pp. 22–23).

### **4.2. Natality, natural growth, and the urban-absorption constraint**

Interwar natality in Europe was exceptionally high; in 1930, the natural increase was +278,627 (rural +258,220; urban +20,407) (Manuilă & Georgescu, 1937, pp. 80–83; Institut Central de Statistique, 1940, pp. 37–38).

#### *4.2.1. Infant mortality: A significant human-capital restriction*

Infant mortality rates approached 20% from 1921 to 1925 and approximately 18% from 1926 to 1935. In 1935, Romania held the highest rate in Europe at over 19% (Fischer and Armengaud, 1987).

### **4.3. Human capital, health, and dietary habits as capacity constraints**

Significant literacy disparities, particularly minimal in Bessarabia, influenced cooperative governance and loan administration; reliance on plant-based diets and maize exacerbated health challenges. Dietary and fodder limitations align with agricultural discussions from the mid-1930s (Gusti, 1939, Vol. III, pp. 511, 513; Axenciuc, 2010, Vol. II, p. 206).

#### *4.3.1. Literacy and education disparities*

Non-attendance rates for rural children aged 7 to 12 were approximately 25% for boys and 36% for girls, according to the 1930 Census, Vol. III.

#### **4.4. Trade shock and the Great Depression**

Cereal price decline (1929–1931): wheat 60.7%, barley 52.5%, rye 62.8%, maize 61.7%. In a 1913 = 100 index, the industrial/agricultural price ratio became unfavorable for farmers, reaching around 1.93× in 1938 and further deteriorating from 1940 to 1943 (Axenciuc, 1996, pp. 731–732). *Roegenian exegesis*: An intense external shock encountered minimal exosomatic buffers (limited tractors, insufficient storage, inadequate transport). Financial assistance cannot swiftly restore production capability.

#### **4.5. Demographic pressure dashboard (1920–1939)**

Cumulative natural increase around 4.5 million (approximately 94% rural); peaks observed between 1928 and 1930; post-1935 deceleration indicates restricted urban absorption (Manuilă and Georgescu, 1937, pp. 80–83).

#### **4.6. The nutritional composition and health limitations of the 1930s**

Animal protein consumption is lower in the East and South, with the national diet including approximately 80% plant-based calories. In rural areas, maize frequently accounts for over 40% of protein intake (Axenciuc, 2010, Vol. II, p. 206; Șandru, 1980).

##### **4.6.1. Housing and sanitation: The hidden fixed expense**

Inadequate sanitation and housing increased mortality rates and the implicit cost of risk (Gusti, 1938).

#### **4.7. Land settlement (colonization) and its constraints**

As of December 1st, 1936, 330,654 hectares were allocated to 35,860 colonists; by January 1st, 1939, approximately 342,546 hectares were designated for approximately 40,000 families. In the absence of consolidation or pooling, colonization enhanced access more significantly than productivity (Șandru, 1975, pp. 207–210).

#### **4.8. Antecedents: Cooperative credit prior to 1918. Concise synthesis**

Urban origins (Bucharest's *Economia*, 1870) predated rural development (Șandru, 1999–2001, p. 384). In 1891, Dumitrescu-Bumbești established the inaugural rural people's bank in Urziceni; by 1898, approximately 24 organizations existed, predominantly of the *Schulze-Delitzsch Model*, with others following the Raiffeisen

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Model (Şandru, 1999–2001, p. 384). *Mobilization*: From April 1st to December 1st, 1901, 168 people's banks were established, with 69,817 members and a total capital of 4,250,000 lei (Şandru, 1999–2001, pp. 385–386). Legislation in 1903 and 1908 regulated the industry; by 1913, there were 2,901 rural credit cooperatives with 583,632 members; as of December 31st, 1918, there were 2,965 banks with 641,359 members, almost 186 million capital of gold lei (Şandru, 1999–2001, pp. 387–400; 392–393; 399–400). *Practices*: around 9% dividends, 5-6% depositor yields, approximately 7% refinancing; primarily short-term loans (Şandru, 1999–2001, pp. 395–396; 400). *Federalization*: 1917–35, 1,492 banks; 1918–45, 1,984 cooperatives (Şandru, 1999–2001, pp. 399–400).

## **5. Policy Instruments: Design and Scope**

### **5.1. Market architecture during the stability phase (1922–1929)**

Dualism was evident: *Creditul Funciar Rural* (CFR, Rural Mortgage Credit) and large commercial banks at the apex; *Popular Banks* (cooperatives) serving millions of small-scale agricultural holdings; *Banca Națională a României* (BNR, National Bank of Romania) principally functioning as the issuer and rediscount backstop (Dobre, 1996; Kirițescu, 1921–1922). The encyclopedia verifies the specialized credit landscape (Gusti, 1943, Vol. IV, pp. 593–597).

### **5.2. Debt conversion as a radical intervention (Law of April 7th, 1934)**

A uniform 50% reduction on all agricultural debts incurred before the 18th of December 1931; rescheduling of payments extended up to 17 years; interest set at 3%; centralized implementation by the *Banca Națională a României* (BNR, National Bank of Romania) (Vulcănescu, 1936; *Monitorul Oficial*, 1937). The 1934–1935 cluster prioritized the restoration of bank balance sheets over the provision of new production credit for several years (Şandru, 1977, pp. 471–473); contemporary analysis deemed this conversion a social–political palliative that effectively stifled agricultural credit (Gusti, 1943, Vol. IV, p. 594). *Bridge to the 1929 institutional infrastructure*: The transformation relied on the legal framework established in 1929: systems capable of internalizing public expenses through distinct accounts, regulated concessions with arbitration, centralized supervision, and a principal National Office of Romanian Cooperation (ONCR, *Oficiul Național al Cooperăției Române*) to regulate cooperative networks (Public Enterprises Law, 1929, art. 26–31, p. 15; Cooperation Law, 1929, art. 78–79, pp. 27–29).

### **5.3. Mechanics, bank balance sheets, and BNR ascendancy (1934–1939)**

The statute served as a state-mandated stress test, necessitating consolidation; *Banca Națională a României* (BNR, National Bank of Romania) regulated balance sheets, reinforcing supervisory dominance (Dobre, 1996; *Monitorul Oficial*, 1937). *Casa Rurală* (CR, Rural House), long-term land credit: established on April 17th, 1908 (mixed state-private) to subdivide and resell estates with extended maturities; stringent collateral and entry regulations limited participation; bank-held land increased from 15,500 hectares in 1909 to 66,455 hectares in 1916; operations recommenced post-1919 but continued to face capital constraints (Șandru, 1975, pp. 207–210); refer to institutional profile (Gusti, 1943, Vol. IV, p. 597). *Banca Națională a României* (BNR, National Bank of Romania) allocations to agriculture: 857 million lei (1937) → 3,943 million (1938) → 6,428 million. On February 18th, 1940, shareholders abolished the portfolio cap (Șandru, 1977, pp. 474–475). *Credit gap (encyclopedic quantification)*: as of December 31st, 1940, specialized agricultural credit allocations amounted to around 2.856 billion lei, in contrast to the required 18.5 billion lei (approximately 16% coverage) (Gusti, 1943, Vol. IV, p. 594).

### **5.4. Doctrinal baselines and policy logics: Liberalism (*Partidul Național Liberal* (PNL, National Liberal Party)) versus peasantism (*Partidul Național Țărănesc* (PNT, National Peasant Party))**

“By ourselves” (*Partidul Național Liberal* (PNL, National Liberal Party)) corresponds with a structured liberalism encompassing tariffs, strategic oversight, and state-owned firms operating on commercial principles. “Open Doors” (*Partidul Național Țărănesc* (PNT, National Peasant Party)) delineates the 1929–1932 phase of liberalization and international-capital inflows, followed by a protectionist realignment after 1933. Peasantism positions the cooperative as the focal point of social and market policies, encompassing credit, procurement, and marketing. Interwar neoliberalism, as articulated by Manoilescu, legitimizes a state arbiter that enhances effective freedom through equality of opportunity while maintaining efficiency, an intellectual framework under which regimes, concessions, and the National Office of Romanian Cooperation (ONCR, “*Oficiul Național al Cooperăției Române*”) are rendered productivity-enhancing (*Institutul Social Român* (ISR, Romanian Social Institute) lectures (Manoilescu, 1923, pp. 141, 155).

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## **6. Empirical Evaluation**

### **6.1. Baselines and yields**

By 1935–1939, average yields had not returned to pre-World War I levels: wheat approximately 10.4 quintals per hectare compared to approximately 11.5 quintals per hectare (1911–1915); maize approximately 10.8 quintals per hectare versus approximately 13.6 quintals per hectare (Axenciuc, 2010, Vol. II, p. 104). Inputs and mechanization dashboards (irrigation, fertilizer, tractors, combines) validate a technological disparity (Axenciuc, 2010, Vol. II, p. 101; 206).

### **6.2. The transmission of the banking system and the new credit cycle**

The process involves recognition and consolidation, followed by Phase 2: reintermediation under the *Banca Națională a României* (BNR, National Bank of Romania) discipline. Outreach has recovered unevenly due to inadequate collateral and weak governance; where bundling (procurement, storage, extension) has re-emerged, intermediate capital has improved; conversely, the credit elasticity of yields has remained low (Dobre, 1996; Bozga, 1975). *Banca Națională a României* (BNR, National Bank of Romania) channelled credit increased from 857 million in 1937 to 3,943 million in 1938 to 6,428 million in 1939, still inadequate for small-scale agricultural holdings (Șandru, 1977, pp. 474–475); coverage was approximately 16% of requirements in 1940 (Gusti, 1943, Vol. IV, p. 594).

## **7. Credit's Underperformance**

Scale and fragmentation; human capital and institutions (*poor literacy and cooperative ability*); pricing and risk (*post-1929 volatility*); health and diet (*low biological productivity*); fiscal space (*limited tax base*). From a quantitative perspective, the per capita agricultural output averaged approximately 238 gold lei per person during the years 1935 to 1939, while industrial-agricultural prices adversely affected farms, thereby mechanically diminishing the productivity elasticity of new credit in the absence of exosomatic enhancements (Axenciuc, 1996, p. 823; pp. 729–732). The dietary and fodder limitations align with the standards of the mid-1930s (Gusti, 1939, Vol. III, pp. 511; 513).

## **8. Contemporary Policy Insights**

Integrate finance, inputs, and extension services; establish a risk framework (*guarantees, stabilizers*); enhance cooperative professionalism (*screening, aggregation*,

marketing); advocate scale-appropriate mechanization and storage; uphold data integrity (*explicit deflators, per capita metrics, territorially consistent comparisons*).

Add-ons inspired by 1929 laws and doctrines:

- *Finance–skills linkage*: make small-farmer credit lines conditional on certified apprenticeship in agro-processing/light mechanization, using the legal model of apprenticeship (*duration, probation, training, oversight*) as a modern contractual template (Employment Contracts Law, 1929, p. 6; pp. 10–11).

- *Apex cooperative and audit*: a modern National Office of Romanian Cooperation (ONCR, *Oficiul Național al Cooperăției Române*), type apex for standards, audit, and discipline in credit/marketing coops, with graded powers up to dissolution, as in 1929 (Cooperation Law, 1929, pp. 27–29).

- *Commercial local regies*: rural infrastructure (*storage, drying, local irrigation, energy*) organized as commercial/cooperative regies with separate accounting, cost-recovery targets, and concession arbitration (Public Enterprises Law, 1929, pp. 9, 15).

- *Neoliberalism with opportunity equality*: combine economic freedom with guaranteed access (*training, infrastructure, information*), a Manoilescu re-reading well-suited to small-scale agriculture (Manoilescu, 1923, pp. 147, 155).

## 9. Limitations

Heterogeneity across series and territorial/statistical reorganizations impede precision; purchasing power parity (PPP) and deflators result in residual error; we prioritize direction and composition over precise annual levels and triangulate multiple sources. Subsequent research ought to compile micro-datasets by examining primary documents from the *Arhivele Naționale Istorice Centrale* (Central National Historical Archives), specifically the collections of pivotal ministries and specialized entities such as *Casa de Administrare și Împroprietărire a Țăranilor* (CAM, Agency for Peasant Land Administration and Allotment) and the *Oficiul Național al Cooperăției Române* (ONCR, National Office of Romanian Cooperation).

## 10. Conclusion

The 1934 debt conversion was a successful short-term stabilization measure, preventing rural social disintegration and reinforcing the financial foundation. The enduring legacy was a statist financial system focused on a dominant *Banca Națională a României* (BNR, National Bank of Romania), where the free credit market was supplanted by centralized, regulated intermediation. However, the essential impediments—dispersed collateral, insufficient mechanization, inadequate adoption

of agricultural technology, rural overpopulation, and adverse price volatility—persisted. According to Georgescu-Roegen, credit is essential yet insufficient: in contexts where exosomatic capacity (*tools, machinery, storage, transport*), knowledge, and risk-sharing are inadequate, finance alone cannot overcome structural limitations; results remain path-dependent and asymmetric. *Coda - 1929 legislation and jurisprudence*: When considered collectively, the 1929 legislation establishes the institutional framework necessary for enhancing the elasticity of small-farmer credit: commercial structures for public assets (*incorporating arbitration and oversight*), a skills development system (*apprenticeship*), and a central cooperative National Office of Romanian Cooperation (ONCR, *Oficiul Național al Cooperăției Române*). In Manoilescu's interwar neoliberal key—freedom plus equality of opportunity—these instruments can convert liquidity into exosomatic capital (*storage, tools, equipment, networks*) and organization (*professional cooperatives*), precisely the determinants our historical evidence identifies for productivity and resilience (Manoilescu, 1923, pp. 141, 155; Public Enterprises Law, 1929, p. 15; Cooperation Law, 1929, pp. 27–29).

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DOI: [10.59277/ECS.2025.30.13](https://doi.org/10.59277/ECS.2025.30.13)

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