

Nicolae Șuțu's Economic Works: Relevance and Particularities

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Abstract

Nicolae Șuțu (Arnăut-Keuy, October 25, 1798-Făurei, January 10, 1871) was a Romanian economist, writer and statesman. He contributed to spreading the ideas of economic liberalism all over the Romanian Principalities, as well as to putting those ideas into practice. The measures he brought forward and the efforts he made in order to accomplish them make him an important reformer of his country. The purpose of this paper is to present the author's main economic ideas in a scientifically explanatory manner and to draw a correlation between them and the principal economic ideology of those times.

Key words: agriculture, industry, economic development, economic liberalism

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1. Introduction

Nicolae Șuțu was a remarkable personality and had a very important role in the political life of Moldavia and the Romanian Principalities as a whole. He was born on the shore of the Bosphorus Strait, in Arnăutchioi. (Veverca, 1936, p. 4; *** 1997, p. 35) After his father had become Ruler of Moldavia, together with his family he went to the Principalities, where he stayed for four years before returning to Constantinople. He remained there until the age of 20 (until 1818) and studied oriental languages and economics. After the Russo-Turkish War, Russia invaded Moldavia and Walachia and decided to rule them through the Organic Regulation. Șuțu took part in drawing it (1832-1834).

He had an active political life and held many public positions (postelnic, vornic, logothete, kaymakam, ministry, deputy, etc.) and, as a consequence, he became a front-rank personality of the domestic and foreign policy. In 1862 he retired from public life and moved to one of his estates in Moldavia, where he passed away nine years later.

As Gh. Zane noticed, Șuțu's economic writings have an ideological and documentary character, based on statistic information as a means of knowing and interpreting the economic and social realities (*** 1960, p. 49).

Among the papers published by Nicolae Șuțu we have to mention *Apercu sur l'etat industriel de la Moldavie (Apercu sur les causes de la gene et de la stagnation du commerce et sur les besoins industriels de la Moldavie* [General Survey on the Industrial state of Moldavia, General Survey on the Causes on the Difficulty and Stagnation of Trade and on the Industrial Needs of Moldavia] (1838); *Notions statistiques sur la Moldavie* [Statistics Notions on Moldavia] (1849); *Quelques observations sur la statistique de la Roumanie* [Observations on Statistics in Romania] (1867). Among his posthumous papers, the most important ones are the following: *Etudes statistiques* [Statistics Studies] (1837); *De l'utilite d'un chemin de fer* [On the Usefulness of the Railway System] (1854-1856); *Question rurale* [Rural Issue] (1861-1868); *Apercu sur l'etat economique du pays et sur les besoins les plus pressants* [General Survey on the Economic State of the Country and on its Most Urgent Needs] (1866). He also left behind a volume of memoirs (*Memoriile Principelui Nicolae Șuțu, mare logofăt al Moldovei 1798-1871* [Memoires du Prince Nicolas Soutzo, Grand Logothete de Moldavie 1798-1871], published after his death (1899), and a volume of travel memories *Amintiri de călătorie* [Travel Memories] (2000), which prove his literary talent once again.

Ever since he was young, Nicolae Şuţu had wanted to visit those countries where industry was developed and where the government had brought the well-being of the entire society (Şuţu, 2000, p. 18). As a traveler, Şuţu proved to be a fine observer: in Wien, for instance, he noticed that apparently all the tiresome jobs were done by women and assumed that either there was a numeric disparity between genders, or men did less visible jobs. (Şuţu, 2000, p. 63)

2. Theoretical background

There are many papers on Nicolae Şuţu's life and economic works. Among the most important ones are: *Nicolae Şuţu. Viaţa, activitatea şi opera întîiului economist ideolog din România, 1798-1871* [Nicolae Şuţu. The Life, Activity and Works of the First Ideologue Economist in Romania, 1789-1871], (I. Veverca, 1936) and *Viaţa şi opera economistului Nicolae Şuţu, 1798-1871* [The Life and Works of the Economist Nicolae Şuţu, 1798-1871], (V. Slăvescu, 1941). E. Demetrescu spoke about Şuţu in the first chapter of his paper *Influenţa şcoalei economice liberale în România în veacul al XIX-lea* [The Influence of the Liberal Economic School in Romania in the 19th Century] (1935), I. Veverca drew attention on the introductory study on *N. Şuţu, Opere economice* [N. Şuţu. Economic Works] (1957), while Gh. Zane on the one on *Texte din literatura economică în România. Secolul XIX, vol. I* [Texts of Economic Literature in Romania. The 19th Century] (1960). The volume titled *Economistul Nicolae Şuţu* [The Economist Nicolae Şuţu], published by M. Todosia and E. Marin (1974) includes a complete and complex series of studies that carry on and add to the detailed critical analysis of N. Şuţu's economic view. N. Şuţu's contribution to the development of the Romanian economic sciences was also analyzed by C. Murgescu in *Mersul ideilor economice la români. Epoca modernă, vol. I* [The Way Economic Ideas Work in Romania] (1987). Şuţu's works have enjoyed special attention and that is proven by the fact that the courses of Economic Doctrines include references to them: *Doctrine şi curente în gândirea economică modernă şi contemporană* [Doctrines and Currents in the Modern and Contemporary Economic Thought] (Sultana Sută-Selejean, 1994), *Tratat de doctrine economice* [Economic Doctrines Treaty] (Ivanciu Nicolae-Văleanu, 1996), *Doctrine economice* [Economic Doctrines] (Mureşan, 2001).

3. Research methodology

The methodology of our paper is based on the bibliographical research of the specialized literature. We used the method of primary analysis and we included Şuţu's economic ideas into the theoretical corpus of the liberal economic theory. Our approach was a quantitative, descriptive and observational one.

4. Findings

4.1. Liberalism and Economic Development

Without any doubt, Şuţu's most important paper, *Notions statistiques sur la Moldavie* [Statistic Notions on Moldavia] (1849) is a monographic one and describes this principality (geographical position, climate, administration, population, agricultural production, manufacturing industry, trade, consumption, productive forces) using on the one hand, fundamental ideas and concepts of the liberal economic thought (labor, labor division, value, price, currency), and on the other hand, statistics tables and the mathematic method of data analysis. The result of combining words and numbers is a surprising one: a synthetic and logical entity, which, even though it does not excel through doctrinary and dogmatic originality, it offers a clear image of the economy of Moldavia and an accurate map of the measures that needed to be taken in order to achieve economic progress.

A survivor of the Phanariot age, Nicolae Şuţu studied Moldavia's economic problems starting from the existing reality and from his trust in economic liberalism. He claimed that the wealth of a country was given, according to Say's law of markets, by the quantity of goods that can be traded “since a nation is no richer than what it produces and it does not effectively consume more than its own products”. The explanation is simple and logical: “products are bought only by products; one

has got to produce a certain value in order to exchange it for another”. (Slăvescu, 1941, p. 202) The best example was the state of the region of Bucovina which had been part of the Austrian Empire since 1775: though rich in local natural resources, it made no progress and experienced difficulties as it had no markets to sell its products on. (Șuțu, 2000, p. 24)

He was a supporter of the big landowners’ interest and was hostile to an abrupt agricultural reform based on expropriating the landlords and making the peasants owners of the land. He was clearly under the influence of A. Smith and J. B. Say when he pleaded for the state not to intervene and for trade to be absolutely free. His solution for the prosperity and progress of an agrarian country such as Moldavia was definitely liberal: “The most certain means would be to let nature take its course”. (Slăvescu, 1941, p. 214) Șuțu further nuanced his stand, which probably made I. Veverca rightfully consider him “a reactionary with progressive tendencies”.

A liberal boyar himself, Nicolae Șuțu started from the idea that agriculture had got a limit beyond which it could no longer develop and considered that later on it was necessary to encourage those industries that had competitive advantages by facilitating the activity of the producers in those fields by eliminating the obstacles that blocked the free development of those industrial activities. The arguments the author gave for this view show that he understood the economic realities, but also that he was a visionary in economics: “These industries [manufacturing and trade] contribute not only to population growth, to capital placement, to progress and to the multiplication of social wealth, but they are also the most natural outlet for agricultural produces and thus indirectly concur to the improvement of agriculture. (Șuțu, 2000, p. 202).

The solutions for Moldavia’s development that Șuțu put forward can also be associated with a Mercantilist orientation (commercial, not bullionist: the wealth of a country is not made of gold”. (Șuțu, 2000, p. 204) There is one essential Mercantilist component that is missing, and that is protectionism. A true believer in liberalism, Șuțu was a fervent supporter of the free trade policy, which served the interests of the landowners. They wanted the grain trade to be free and considered that adopting measures to protect the national industry would have resulted in the rise of the prices of the goods manufactured domestically.

Nevertheless, Șuțu admitted that there were some shortcomings of the free trade policy when he said that in a country such as Moldavia (where there was no capital, where there was “routine”, and where agriculture was still working on feudal basis), the government had to understand “the important interests of the country” and had to “use all means to encourage industrial activities through example and incentive”. (Șuțu, 2000, p. 323) In his view, industry had to develop gradually: first the one that used local raw materials (especially those raw materials which, once exported came back to the country as manufactured goods: wax, wool, oleaginous seeds, etc.), then the glass and tile factories, and then the silk factories. (Șuțu, 2000, p. 217)

4.2. Agriculture and Industry in Șuțu’s View

Given his opinions, Șuțu can be placed among those liberal economists who militated for a dominantly agricultural orientation of the country and believed in a primary and almost exclusive progress of the country through agriculture: “In Romania, a country essentially, or rather exclusively agricultural, all industry resides only in the great land properties. The success of the industrial enterprises and the prosperity of trade depend on their size. In Romania, property brings together the attributes of the farmer, of the manufacturer, and of the tradesman in the country”. (Șuțu, 2000, p. 583).

And then the author went further, in a purely Physiocrat tradition: “Agriculture is thus the only industry of the country, the only source for private income, as well as public income [...]”. Since there was no division of labor, as long as agricultural credit was insufficiently developed (given the lack of institutions, the high interests), and transport expanses were still high, Romania was doomed to make no economic progress, or even to regress.

Șuțu took England as an example: England brought raw materials from India, processed them and exported the final goods to the colony at prices that were lower than those of the Indian manufacturers.

The secret for economic development: “moderate interest for productive capital”. There can be no development of the economic activity without credit mechanisms that would ensure stability. For that, two conditions had to be met: the balance of public finances (a balanced budget) and “the precise execution of private agreements” (the beneficiaries of the loans had to fulfill their commercial obligations). (Șuțu, 2000, 586)

In order to catch up and reduce the gap between Moldavia’s agriculture and that of the developed countries in Europe, Șuțu came up with a series of four major actions: (Șuțu, 2000, p. 309)

1. Encouraging the industry as it was, because it was the main incentive for the development of agriculture since it provided it with the outlets it needed;
2. Creating some model farms, near the cities, where to combine learning scientific agriculture with practicing it;
3. Improving the means of communication - their importance was demonstrated when the author showed that transporting a bale from London or Paris to Galați cost half the price for transporting it from Galați to Focșani or Bârlad (Șuțu, 2000, p. 584);
4. Setting up agricultural banks.

As far as the manufacturing industry was concerned, Șuțu gave England and the United States, but also Belgium and Geneva, as examples. Through their manufacturing industries, and helped by the “mechanical arts”, these had become rich and were flourishing.

In Moldavia there were a series of obstacles for the development of manufactures: (Șuțu, 2000, p. 310-311).

1. The backwardness of the “mechanical arts” and the impossibility to introduce the factory system;
2. The lack of credit institutions (interest was four times higher than in France or England);
3. The lack of a railway system;
4. The poorly developed public education.

When he claimed that the manufacturing industry had to be stimulated in Moldavia, Șuțu was convinced that it was it that “brought the most immediate and most considerable profits” (Șuțu, 2000, p. 309).

5. Conclusions

The quintessence of Nicolae Șuțu’s economic ideas is comprised in two lines written by the author in his *Introduction to Notions statistiques sur la Moldavie* [Statistical Notes on Moldavia] (1849): “Wealth has propriety as its principle and production as its means, which is the effect of labor”. (Șuțu, 2000, p. 225).

In the epilogue of the same paper, the author expressed one of the most advanced economic and social views of his times when he identified the concept of respect as the keystone of society: “And what is religion without the respect for property? And what is property without the respect for family? And what is respect without the family?” (Șuțu, 2000, p. 343)

Practically speaking, Nicolae Șuțu observed the agricultural character of Moldavia’s economy and emphasized the need to improve agriculture, industry and trade simultaneously through a free trade policy. His indubitable merit resides in drawing a plan with modern measures with double sources of inspiration - Mercantilist and liberal - adapted to the situation in Moldavia, which was aimed at overcoming the backward state of economic and social development through: creating national manufactures, organizing competitions with prizes for inventors, creating banking institutions, improving the means of communication (especially the railway system), attracting foreign capital.

A Begzade turned into an economist, as Costin Murgescu depicted him, Șuțu reached the conclusion that the solution for Moldavia’s economic progress rested in creating new outlets and in gradually introducing “industrial arts”.

More than 150 years after the death of “the first Romanian intellectual schooled by Adam Smith’s ideas”, re-reading his practical program of political economy sends us back to that historical moment when the observations on Moldavia which was governed by an old and obsolete government met the ideas belonging to a new and advanced economic doctrine. (Demetrescu, 2000, p. 52)

6. References

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