

# DEVELOPMENT CHARACTERISTICS OF INTERWAR EUROPEAN PERIPHERY: THE CASES OF ROMANIA AND LITHUANIA'S AGRICULTURE

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**Abstract:**

*In economic terms, the interwar European periphery was limited to underdeveloped, poor, and non-industrialized states. According to this definition, both Romania and Lithuania belonged between the two world wars to the periphery of the continent. The two countries approached the economic problem using similar instruments: radical agrarian reform, stress on exports, industrialization. Despite the industrial developments that Romania and Lithuania witnessed during the interwar years, they remained, throughout the period, essentially agrarian economies. Although both states had to start from a very under-developed agriculture that shared many similarities, Lithuania's interwar agriculture was eventually considered 'one of the most efficient in Eastern Europe', while Romania's remained highly 'inefficient and peasant'. Using the comparative historical analysis method and a similar-systems approach, this paper compares their problems, evaluates steps taken towards their solutions and reveals the different outcomes.*

**Rezumat:**

*Periferia europeană interbelică a fost limitată, din punct de vedere economic, la statele subdezvoltate, sărace și neindustrializate. Conform acestei definiții, atât România, cât și Lituania, în perioada interbelică, au aparținut periferiei Europei. Afectate de probleme economice similare, cele două state au răspuns cu măsuri similare: reforme agrare radicale, atenție deosebită acordată exporturilor, industrializare. În ciuda dezvoltării industriale pe care au experimentat-o atât România, cât și Lituania, în perioada dintre cele două războaie mondiale, amândouă au rămas state cu economii preponderent agrare. Măsurile luate în*

*domeniul dezvoltării agriculturii în aceste două state au avut însă rezultate semnificativ diferite. Spre sfârșitul perioadei interbelice, agricultura Lituaniei era caracterizată drept „una dintre cele mai eficiente din Europa de Est”, în vreme ce agricultura României a rămas „ineficientă și țărănească”. Folosind metoda analizei istorice comparative, acest studiu compară, evaluează și analizează evoluția agriculturilor României interbelice și Lituaniei interbelice, cu scopul identificării acelor variabile care explică eșecul celei dintâi și succesul, chiar dacă „succesul relativ”, al celei din urmă.*

**Keywords:** interwar, Romania, Lithuania, agriculture, development, comparison

After the First World War, Romania and Lithuania found themselves, from the point of view of their agriculture too, in similar conditions. They both had been essentially agrarian societies, in need for agrarian reforms, with a large part of their population dependent for subsistence upon agriculture, while the agricultural sector had used primitive methods, with a low supply of machinery, fertilizers or chemicals. After the implementation of different agricultural reforms in the interwar years, by the end of the 1930s, Romania's agriculture was characterized by stagnation and failure, an 'inefficient and peasant agriculture'<sup>1</sup> – despite some progresses, while Lithuania's was considered, 'one of the most efficient in Eastern Europe'<sup>2</sup> – despite some shortcomings.

The systematic comparison of these two cases aims at explaining and identifying the causes of these different outcomes. Within this comparative analytical framework, a similar-systems approach is used, which refers to selecting cases that have 'numerous historical, social, and other contextual variables in common. These variables are then held constant, and the contextual variables that differ across the cases are analyzed with the expectation that they will explain differences in the outcome to be explained'.<sup>3</sup> Analyzing qualitatively and quantitatively the profile of the two agricultures, this paper will present both their common and different traits in an attempt to identify the elements that explains the different outcomes despite the resembling starting conditions and the similar reforming measures.

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<sup>1</sup> Keith Hitchins, „Romania”, *The American Historical Review* 97, No. 4 (Oct. 1992): 1071

<sup>2</sup> Richard Crampton and Ben Crampton, *Atlas of the Eastern Europe in the twentieth century* (London: Routledge, 1996), 97

<sup>3</sup> Sunita Parikh, *The politics of preference: democratic institutions and affirmative action in the United States and India* (Ann Arbor: University of Michigan Press, 1997), 13

Accepting Derek Howard Aldcroft's perspective, this paper defines the European periphery in economic terms, which limits the interwar periphery of the continent to the 'marginal or peripheral countries which failed to participate fully in the drive to modern economic growth through to 1914'. Thus, the European interwar periphery included underdeveloped, non-industrialized and poor countries, that by 1918 had one half or more of their population dependent on agriculture, and an income per capita of less than 50% of those of the advanced states of the western European core. According to this economic definition, both Romania and Lithuania belonged during the interwar period to the European underdeveloped periphery.<sup>4</sup>

After the First World War, Europe witnessed a political reconfiguration, and apart from Spain and Portugal, the interwar European peripheral states were newly constituted states as a result of the postwar agreements. In this context, Lithuania declared its independence from Russia on February 16, 1918, becoming a state quite small in terms of size and population. According to the 1923 census, Lithuania had 2,029,000 people<sup>5</sup>, and a territory of 55,670 square kilometers. In 1939, after the reintegration of the Vilnius region, according to Soviet estimation, Lithuania had about 2.9 million people.<sup>6</sup> Although independent from 1877, in the aftermath of the Russian-Romanian-Ottoman war, Romania doubled its size and population through its unification with Banat, Transylvania, Bessarabia and Northern Bukovina, and became the second largest state in Eastern Europe.<sup>7</sup> From 130,177 square kilometers and over 7 million people in 1912, Romania became *Greater Romania* with 295,049 square kilometers and over 15.5 million people in 1920<sup>8</sup>, the tenth largest country in Europe, in terms of territory, and the eighth (in 1930), in terms of population.<sup>9</sup>

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<sup>4</sup> Derek Howard Aldcroft, *Europe's third world: the European periphery in the interwar years* (Aldershot- Burlington: Ashgate Publishing, 2006), 1-3.

<sup>5</sup> Piotr Eberhardt, *Ethnic groups and population changes in twentieth-century Central-Eastern Europe : history, data, analysis* (Armonk: Sharpe, 2003), 39-40

<sup>6</sup> Joseph Rothschild, *East Central Europe between the two World Wars* (Seattle: University of Washington Press, 1992), 368-369

<sup>7</sup> R.J. Crampton, *Eastern Europe in the Twentieth Century – And After* (New York: Routledge, 1994), 107

<sup>8</sup> Rothschild, 281

<sup>9</sup> Ion Alexandrescu, Ion Bulei, Ion Mamina and Ioan Scurtu, *Enciclopedia de Istorie a Romaniei* (Bucuresti: Meronia, 2000), 306

	<b>Year</b>	<b>Territory km<sup>2</sup></b>	<b>Population</b>
<b>Romania</b>	1912	130,177	> 7 million
	1920	295,049	>15.5 million
	1930	295,049	> 18 million
<b>Lithuania</b>			
	1923	55,670	> 2 million
	1939		2.9 million

If Lithuania was a poor country in terms of natural resources, Romania was one of the most favored Eastern European states in this regard. Lithuania had been an agricultural land before the First World War and remained so during independence.<sup>10</sup> Lowland plains and hilly uplands characterize the country's landscape. She has very few natural resources other than agricultural land (about two thirds of the country) and forests.<sup>11</sup> Romania, on the other hand, was richer in natural resources with valuable and easily accessible mineral resources<sup>12</sup>, but despite this characteristic, she remained an agrarian economy and a peasant society throughout the interwar period.<sup>13</sup>

At the end of the war, Romania and Lithuania were agricultural societies, and the majority of the population was rural and worked in the agricultural sector. The emergence of the new East-European independent states provided the opportunity and the political and social necessity to adopt and implement radical agrarian reforms, which were initiated and managed by the state and driven both by political and economic objectives. In Lithuania, the moderate land reform involved expropriation of land, mostly from the large private estates, compensations and land redistribution. The recipients of the land were the landless peasants, soldiers that fought in the war, or smallholders able to demonstrate a need

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<sup>10</sup> Alfonsas Eidintas, 'The presidential republic', in *Lithuania in European politics : the years of the first republic, 1918-1940*, eds. Alfonsas Eidintas, Vytautas Žalys and Edvardas Tuskenis (New York : St. Martin's Press, 1999), 116.

<sup>11</sup> Centre for Co-operation with Non-members, *Investment guide for Lithuania* (Paris: OECD, 1998), 17

<sup>12</sup> In 1918, Romania was the world's fifth largest producers of oil, and the largest producer in Europe next to Russia. Robert Bideleux, Ian Jeffries, *A history of Eastern Europe. Crisis and change* (New York: Routledge, 1996), 126

<sup>13</sup> Rothschild, 8-11

for more land. This process began in Lithuania in 1920-1922<sup>14</sup> and by the end of the 1930 there were about 287,000 family farms. From 1,149 large estates with an average size of about 2,400 hectares that existed before the war, only 443 'large' estates with an average size of 247 hectares remained, while the average size of a peasant farm was of 15 hectares.<sup>15</sup> Between 1923 and 1926, 38,700 landless peasants and 26,400 small landowners were given land. Thus, the number of the landowners of Lithuania grew with 18%, while 13% of the peasants added plots to their holdings. On average, new farmers received 9.4 hectares, and small holders 3.5 hectares.<sup>16</sup> In Romania and Lithuania, the land reforms involved a whole-scale redistribution of land owned by a minority, in general members of the old ruling elite that in Lithuania held 40 % of the all cultivated land<sup>17</sup>, or 26.2% of the entire state's territory.<sup>18</sup> The landowners were now perceived as oppressors of the peasants that had worked as agricultural laborers for them. In Romania, the large farms of more than 100 hectares represented 8.1 million hectares of agricultural land after the war. Due to the expropriation process, this number declined to 1.9 million hectares in 1930. However, if in Lithuania the average size of a farm was in 1930 of 15 hectares, in Romania in the same year it was of 3.8 hectares.<sup>19</sup>

According to Keith Hitchins, the main characteristic of the Romanian economy at the beginning of the 20th century was '*the peasant agriculture, a system of production carried on by individual peasant families on small holdings*'. The Romanian agriculture '*was primitive in technology and methods, and burdened by overpopulation and debt, conditions perpetuated in large measure by a concentration on the production of grain for export*'.<sup>20</sup> Between 1917 and 1921, Romania implemented the most radical land reform in Eastern Europe, which gave

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<sup>14</sup> Alexandra Ashbourne, *Lithuania: the rebirth of a nation, 1991-1994* (Lanham: Lexington Books, 1999), 14

<sup>15</sup> William H. Meyers and Natalija Kazlauskienė, „Land reform in Estonia, Latvia and Lithuania. A comparative analysis”, in ed. Stephen K. Wegren, *Land Reform in the Former Soviet Union and Eastern Europe* (London: Routledge, 1997), 87-88

<sup>16</sup> Alfonsas Eidintas, „The nation creates its state” in Eidintas, Žalys and Tuskenis, 46.

<sup>17</sup> Robert Gerwarth, *Twisted paths : Europe 1914-1945* (Oxford, New York: Oxford University Press, 2007), 274

<sup>18</sup> Darunas Liekis, *1939: the year that changed everything in Lithuania's history* (Amsterdam, New York: Rodopi, 2010), 27

<sup>19</sup> Centre for Cooperation with Non-members; Organization for Economic cooperation and development, *Review of agricultural policies. Romania* (Paris: Organization for Economic Cooperation and Development, 2000), 75.

<sup>20</sup> Hitchins 1992, 1069

land to more than 1.4 million peasants. The agrarian laws implied expropriation of land, redistribution and reimbursement. When the land reform was complete, the government had distributed 5.8 million hectares of land (of which 3.7 million hectares arable land). Peasants owning 10 hectares, or less, controlled 60% of Romania's tilled land. Former owners (aristocracy, religious institution, foreign or domestic landowners) received for their expropriated land reimbursement in long-term bonds, while peasants were required to pay 65% of the expropriation costs over twenty years.<sup>21</sup> However, the land reform aggravated a persistent problem – the fragmentation of land. The Law on agricultural reform passed on July 21, 1921 specified that only holdings of more than 100 hectares<sup>22</sup> were to be expropriated, but that the agricultural land should not be divided into plots of less than two hectares (one hectare in mountain areas). Despite this provision, economic and demographic conditions determined the fragmentation of the plots. The rural population rose due to a high natural increase, and, having no other employment options, the small holders had to continue farming. As a result, small plots were divided between family members. Not only inheritance, but also the partial sales determined the further fragmentation of land. As a result, in 1930 farms of less than 10 hectares represented 90% of the total number of farms. To counteract land fragmentation, in 1937 was adopted a law stipulating that rural property should not be divided through selling or inheritance into plots of less than two hectares. The effects of this law were negligible.<sup>23</sup> Thus, the problem of small holdings characterized Romania's agriculture throughout the interwar period, and the development of Romania's agricultural sector was ultimately inefficient. The small plot could not economically sustain the family. According to estimation, while the average size plot of peasant land was of 3.8 hectares, a family to be economically independent needed a plot of minimum five hectares.<sup>24</sup> Adding to this elements the corruption and protracted lawsuits that followed the land reform, one could have the

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<sup>21</sup> Rachel Sabates-Wheeler, *Cooperation in the Romanian countryside : an insight into post-Soviet agriculture* (Lanham: Lexington Books, 2005), 9-10.

<sup>22</sup> In 1926, The National Peasants Party wrote in its program about expropriating all holdings of over 100 hectares, but this measure was not carried out. Keith Hitchins, *Romania: 1866-1947* (Oxford: Clarendon Press, 1994), 370

<sup>23</sup> *Review of agricultural policies. Romania...*, 75

<sup>24</sup> In Lithuania, a ten hectares plot was considered as the minimum sufficient to sustain a family. Alexander Statiev, *The Soviet counterinsurgency in the western borderlands*, Cambridge, New York: Cambridge University Press, 2010, 37

reasons which lead to its failure and to maintaining an un-egalitarian land ownership.<sup>25</sup>

<i>Farm size in hectares</i>		<i>Lithuania in 1930 Percent of total farms</i>		<i>Romania in 1939</i>				
				<i>Percent of total farms</i>		<i>Percent of total arable land</i>		
< 5		18.6		< 1	18.5	1.6		
				1-3	33.6	11.1		
				3-5	22.8	15.3		
5-10		27.4		> 5				
10-50	10-15	51,2%	20.7				25.1	72
	15-20		11.5					
	20-30		11.8					
	30-50		7.2					
50 and over		2.8						

*Source:* Adapted from William H. Meyers and Natalija Kazlauskienė, "Land reform in Estonia, Latvia and Lithuania. A comparative analysis", in Wegren, 88; and from Rachel Sabates-Wheeler, *Cooperation in the Romanian countryside: an insight into post-Soviet agriculture* (Lanham: Lexington Books, 2005), 10.

Despite the common feature represented by the fact that large estates were split up into peasant holdings, the emerging structure in Lithuania and Romania was different. In Lithuania - as well as in the other two Baltic states - the farming was organized in middle size peasant holdings of 10-50 hectares, while in Romania - as well as in Czechoslovakia, Hungary and Poland - the polarization remained, with large estates on the one hand and small peasant holdings on the other.<sup>26</sup> Although after the implementation of the land reform, peasant properties of less than ten hectares represented in Romania over 60% of the arable land of the country, by 1939 about 50% of the arable land was own by 8% of the landowners. Many peasants lost their plots, or sold parts of them,

<sup>25</sup> Rachel Sabates-Wheeler, 9-10

<sup>26</sup> Ulf Jonsson, Anu-Mai Köll and Ronny Pettersson, „What is wrong with a peasant-based development strategy. Use and misuse of historical experiences”, *The transformation of rural society in the third world*, eds. Magnus Mörner and Thommy Svensson (London: Routledge, 1991), 71-72.

unable to pay the expropriation costs. Besides the excessive division of land, other problems such as overpopulation, lack of farm implements and draft animals, low supply of machinery, fertilizers, chemicals, seeds and breeding stock characterized Romania's interwar agriculture and resulted in keeping many of the rural inhabitants in poverty and ignorance.<sup>27</sup> From the moderate reforms governments did introduce in the interwar period in order to solve these problems – such as support for cooperatives, an expansion of rural credit, and the promotion of industrial crops – benefited almost exclusively the relatively small number of prosperous peasants.<sup>28</sup>

In Lithuania, in 1930, about 51% of the land represented properties of 10 to 50 hectares, 45% properties of less than 10 hectares, and only 2.8% properties of over 50 hectares.<sup>29</sup> In 1939, the richest 2.6% of farms (over 50 hectares) owned 16.1% of the agricultural land, while the poorest 45.5% (less than 10 hectares) owned 17.2%.<sup>30</sup> Despite the land reform, by 1940 half of the Lithuanians had plots smaller than 10 hectares – the minimum sufficient to sustain a family – and survived by working as sharecroppers, while the landless agricultural workers represented 21.3% of the Lithuanian rural working population. In Romania, despite the land reform, many remained landless, or with plots of less than 5 hectares – the minimum sufficient to sustain a family. Moreover, the land reform was concerned only with the distribution of land. It did not provide the peasants with animals, tools, machines or credits that would have secured the efficiency of the agriculture, and in addition, the peasants were subjects to multiple local and national taxations, which diminished their net income.<sup>31</sup>

Following the land reform, the Lithuanian agricultural sector was dominated by middle-sized farms, which led to an increased productivity. Agriculture production included rye, oats, barley, wheat, potatoes and flax. Nevertheless, in response to demands in export markets, farmers gradually shifted from grain production to dairy products (bacon, sugar beets and fodder).<sup>32</sup> As the structure of the agricultural production shifted emphasis from grain to livestock, incomes grew with the export of the agricultural products.<sup>33</sup> Prior to the land reform, the productivity rates were low and

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<sup>27</sup> Sabates-Wheeler, 10.

<sup>28</sup> Hitchins 1992, 1069.

<sup>29</sup> Meyers and Kazlauskienė, 88.

<sup>30</sup> Statiev, 37.

<sup>31</sup> Hitchins 1994, 354.

<sup>32</sup> Eidintas, „The presidential republic”, 117.

<sup>33</sup> Eidintas, „The nation creates its state”, 50.



agricultural methods primitive.<sup>34</sup> About 60 % of the Lithuanian peasants lived in hamlets, and not in individual farmsteads, which negatively affected the agricultural productivity. In the areas where the individual farmsteads were predominant, the agricultural productivity was relatively higher than in the areas where the estates dominated. After the implementation of land reform, the hamlets disappeared and the agricultural productivity increased as the peasants learn to rely on their own talents.<sup>35</sup> In Romania, despite the climate and soil that favored the agriculture, and despite the size of land and population involved in agriculture, the productivity remained very low, representing only 48% of the European average.<sup>36</sup>

At the beginning of the 1920s, the material basis for the Lithuanian agriculture was weak, by comparison with the Western states or even with the neighboring Latvia or Estonia. After the implementation of the land reform, for each 100 hectares of land there were 1.28kW of engine power (compared with over two in Estonia or Latvia). The absence of financial institution able to support peasants and agriculture affected the agricultural development. The solution provided to agriculture's problems was the cooperative movement. In 1927, there were 2,089 cooperatives concentrating in the agricultural sector and sales of production. The unions of cooperatives were heavily subsidized and supported by the state. The state support gave these monopolies the control over 80% of Lithuanian exports.<sup>37</sup> There were cooperatives in the fields of milk, sugar beet, meat, flax processing, as well as credits and insurance cooperatives.<sup>38</sup> Organizing the farmers in cooperatives represented a solution to a number of problems: the need to base the agricultural production on individual family holdings; the need of mechanization; the need to increase production. Many peasants had small farms and lots; many lived in remote settlements and had neither machinery, nor other means of production. Thus, the main benefit of the interwar cooperative was that it provided means of production for the farmers.

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<sup>34</sup> Ashbourne, 14.

<sup>35</sup> Eidintas, „The nation creates its state”, 46.

<sup>36</sup> Rothschild, 285.

<sup>37</sup> Liekis, 28.

<sup>38</sup> Food and Agricultural Organization of the United Nation, *Strengthening and developing voluntary farmers' organizations in Eastern and Central Europe* (Rome: Food and Agriculture Organization of the United Nations, 1994), 16.

In Romania, the origins of the cooperative movement, as in Lithuania, are to be found in the 19th century.<sup>39</sup> Peasants started to organize themselves into the so-called leasing cooperatives (*obsti de arendare*), especially after 1907, but the participants were the prosperous peasants, while the poor ones were not influenced or affected by the movement.<sup>40</sup> The law on the organization of cooperatives of March 28, 1929 was designed to encourage free association of peasants and to limit the control exercised over the cooperatives by the government. However, only the wealthy peasants could meet the requirements for becoming members in the cooperatives. Neither land-leasing cooperatives, nor those designed to encourage peasants to group their farms into single economic units and to work their land together were successful. Three main elements explain the failure of the cooperative movement in interwar Romania. First, the peasants were not prepared for this kind of measures, and they perceived the government attempts to organize smallholdings into cooperatives as instruments to deprive them from the land they obtained with great difficulty. Second, the law was addressing to the well-to-do peasants, the only who could make the contribution required for membership. And third, the cooperative movement was not adequately financed and supported by the state.<sup>41</sup>

In Lithuania, with the land reform, the large estates were replaced by progressive cooperative organizations of small producers. Encouraged by the state, the cooperatives played an important role in changing the production structure in agriculture, from cereals to dairy and livestock products which were exported (bacon, butter, eggs, meat).<sup>42</sup> The cooperatives were widespread, efficient, and largely responsible for the fact that Lithuania produced in the interwar period 10% more food that she needed.<sup>43</sup> Romania's inability to change the structure of agricultural production was the main explanation for the agricultural stagnation according to Aldcroft. Romania continued to produce cereals, especially wheat and maize (82% of the total arable land was cultivated with cereals

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<sup>39</sup> David Turnock, *The Romanian economy in the twentieth century* (London: Croom Helm, 1986), 181-182.

<sup>40</sup> Hitchins 1994, 181-182.

<sup>41</sup> *Ibid.*, 369-370.

<sup>42</sup> Aldcroft, 101-102

<sup>43</sup> Crampton, 103-104

in 1938). In addition, government policy did little to assist agriculture that was mainly interested in encouraging industry.<sup>44</sup>

After the war, the Romanian governments constantly encouraged the industrial development of the country, and by the end of the 1930s, the Romanian industry had the capacity to satisfy the domestic needs for textile, food or chemicals, but she had not the capacity to supply the machines and equipments needed in the industrial sector. Despite the industrial growth, the structure of economy did not change significantly, and by the end of the 1930s only 10% of the active population was engaged in industry. The Romanian market was unable to absorb the industrial or agricultural goods that her economy produced. Romania's population, consisting mainly of poor peasants, could not buy the industrial domestic products. The domestic market for the Romanian agricultural products was very small, therefore the agriculture had to export its large surplus of grain, and since the Romanian peasants were not in the position to buy the industrial domestic products, the Romanian industry too had to rely mainly upon exports. For instance, Romania exported 80% of its production of oil industry and 70% of the production of forestry industry.<sup>45</sup> In Lithuania, on the other hand, the industrial branches were oriented to the domestic market and were quite successful in producing basic consumer goods, while the luxury goods, machines and industrial equipments were imported.<sup>46</sup>

Preserving the prewar patterns, Romania exported mainly grain, animals and wood. Together with oil, these made up to 90% of Romania's exports. Up to 1927, grain constituted 50% of Romania's total exports. During the depression and after, the export of grain decreased to an average of 25% per year, the Romanian government encouraging the export of petroleum products to compensate for the loss of grain markets. An agricultural country, Romania exported mainly raw materials at low prices and imported mainly industrial products at high prices.<sup>47</sup> Romania's economic relationship with Western Europe was clearly one of dependence. Essential to the country's well-being was the sale of large quantities of agricultural products and other raw materials. Dependence on

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<sup>44</sup> See for instance, David Turnock, „The pattern of industrialization in Romania”, *Annals of the Association of American Geographers* 60, Issue 3 (Sep 1970): 540-559.

<sup>45</sup> Hitchins, 1994, 362-372.

<sup>46</sup> Eidintas, 'The presidential republic', 118.

<sup>47</sup> Hitchins 1994, 362-372

exports discouraged reforms in agriculture because it tended to reinforce the traditional structures of inefficient, peasant agriculture.<sup>48</sup>

The lack of diversification of the Romanian economy diminished its ability to respond to the international depression. Largely dependent upon exports of grains, Romania was deeply affected by the collapse of the international market. In Western Europe, the prices of the agricultural products decreased, while new tariffs had been imposed on Romanian agricultural products in order to protect the domestic farmers.<sup>49</sup>

During the entire interwar period, Lithuania tried to expand her relations with the western powers – Great Britain, France or Italy – but received little attention or support from them. With Great Britain, Lithuania developed important trade relations and, in the 1930s, the UK became her most important foreign trade partner, displacing Germany.<sup>50</sup> Lithuania exported especially agricultural products (bacon, butter, and eggs), processed food, flax and timber to Great Britain and Germany, and imported from them raw materials and manufactured goods. However, Lithuania maintained an even or favorable balance of trade, and between 1923 and 1930 the value of exports grew from 147 million litas to 333 million litas. In the 1920s, Lithuania exported mostly butter, livestock, timber, and flax; in the 1930s, the economy added meat and bacon to its main exports. Thus, in Lithuania, the foreign trade stimulated agriculture. In 1938 exports of livestock and livestock products represented 56% of total exports, butter exports increased from 524 tons in 1924 to 17,413 tons in 1939.<sup>51</sup> Romania, on the other hand, maintained the prewar pattern, exporting mostly agrarian surpluses and mineral resources, trading little with her Eastern European political partners (Yugoslavia or Czechoslovakia).<sup>52</sup> The most important trade partners for Romania in the interwar period were France, Great Britain, Italy and Germany.<sup>53</sup> Concerning the Romanian-Lithuanian economic relations during the interwar period, they were insignificant.<sup>54</sup>

After the war, the Lithuanian governments started to put the basis of industry in Lithuania and to reorganize the agricultural sector. Between

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<sup>48</sup> Hitchins 1992, 1071

<sup>49</sup> Hitchins 1994, 362-372

<sup>50</sup> Vytautas Žalys, „The return of Lithuania to the European stage“, in Eidintas, Žalys and Tuskenis, 64.

<sup>51</sup> Eidintas, „The presidential republic“, 116-118.

<sup>52</sup> Rothschild, 8-11.

<sup>53</sup> Crampton and Crampton, 119.

<sup>54</sup> Silviu Miloiu, *Romania si Tarile Baltice in perioada interbelica* (Targoviste: Cetatea de Scaun, 2003), 116.

1924 and 1939 the national income grew in average with 5% per year; the industrial production increased annually at about 7.5% and agriculture at slightly over 2%.<sup>55</sup> Although important, Lithuania's agricultural developments represented only a relative success. On the one hand, Lithuania exported as much butter per head as the Dutch and Irish, though not as much as the Danes, the Estonians and the Latvians. Lithuania's standard of living was higher than Poland's and substantially greater than the Soviet Union's. In addition, Lithuania's exports and imports by value per capita were relatively underdeveloped and her economy was heavily dependent on the export of processed farm products to a relatively limited number of western states. Productivity, although increased, remained lower than in the other Baltic States and represented only two thirds to three quarters of the average European figure in 1931-1935.<sup>56</sup> However, for Lithuania, the interwar years represented not a period of economic boom, since, according to Darunas Liekis, 'dependency on agricultural exports because of overproduction meant the whole economy relied on foreign policy and national economy priorities of the importers of Lithuanian produce.'<sup>57</sup>

Both Romania and Lithuania remained essentially agrarian economies during the interwar period. One of the common economic features is represented by the fact that a large proportion of their population was dependent on agriculture for their subsistence. In Romania, according to the 1930 census, 78.2% of the population was dependent on agriculture, compared with 7.2% working in industry or 3.2% in trade. Romania's population was overwhelmingly rural. Out of the total population of 18,052,896, in 1930, 78.9% lived in villages.<sup>58</sup> Similarly, approximately 75% of Lithuania's population was dependent on agriculture, in 1923, and only about 10% worked in industry, commerce, transport, communication or credits.<sup>59</sup> In 1936, 77% of the active population in Lithuania worked in agriculture, 7% in industry, 2% in commerce, 1% in transportation and 13% in other economic sectors.<sup>60</sup> For comparison, the population dependent on agriculture represented in England and Wales 5% (1931), in Germany 20% (1933), in Austria 26% (1934), in France 28% (1934),

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<sup>55</sup> Eidintas, „The presidential republic”, 116.

<sup>56</sup> Thomas Lane, *Lithuania: Stepping Westward* (New York: Routledge, 2002), 13-14.

<sup>57</sup> Liekis, 28.

<sup>58</sup> *The 1930 Romanian census*, in Alexandrescu, Bulei, Mamina and Scurtu, 308, 326

<sup>59</sup> Lane, 9

<sup>60</sup> Crampton and Crampton, 97

in Denmark 30% (1930), in Sweden 30% (1930), in Yugoslavia 76% (1931).<sup>61</sup> In the mid-1930s, about 85% of the Lithuanians were living in rural areas, while 'urban' meant officially a locality of over 2,000 people.

	Year	Population by economic sector (%)				
		Agriculture	Industry	Commerce and banking	Transportation, communications	Others
<b>Romania</b>	1930	78.2	7.2	3.2	1.7	9,7
<b>Lithuania</b>	1936	77	7	2	1	13

Despite the progresses, by western standards Romania and Lithuania's agriculture was highly inefficient during the interwar period. They were both heavily dependent on exports and therefore sensitive to the events in the international economy. The agriculture remained the main sector of the two economies, but the productivity remained low, the land was overpopulated and fragmented, the techniques and methods used were primitive, the population was ignorant, and the sector was not efficiently financed. The land reforms accelerated some problems, including the fragmentation of land. The main problem of the agriculture was to find solutions to raise its efficiency. Lithuania found the solution in product base diversification, the cooperative movement having an important part in making it viable. The specialization of production that characterized the Lithuanian agriculture in the interwar period, namely a concentration on dairy, meat and eggs production secured, according to some scholars, 'the great success story of the Lithuanian agriculture' after Lithuania's incorporation in the Soviet Union.<sup>62</sup> Romania, on the other hand, maintained the prewar production pattern, and although adopted a series of measures designed to finance and make the sector efficient, their effects were negligible. Considering the low starting point and the performance of the other Eastern European countries, Romania included, Lithuania's interwar agriculture was 'one the most efficient in Eastern Europe', a 'relative success'. A relatively large number of bigger holdings, the

<sup>61</sup> Dudley Kirk, *Europe's Population in the Interwar Years* (New York, Gordon and Breach, 1969), 200.

<sup>62</sup> Lane, 78

cooperative movement and the government assistance helped to make Lithuanian agriculture one of the most successful in Eastern Europe. However, by Western standards, her agriculture remained highly inefficient. Romania's agriculture, on the other hand, was highly inefficient, by Western standards, by East-European standards, or even by Balkan<sup>63</sup> standards. The shortcomings of the Romanian agriculture were explained through a series of factors such as the limits of the land reform and its implementation, the growing of population, the fragmentation of the peasant property through partial sales and inheritance, the crisis in the international market, or the Romanian government priorities.<sup>64</sup> Derek Howard Aldcroft even concludes that the land reform was largely the cause of the poor performance of Romania in the agricultural sector in interwar Romania.<sup>65</sup>

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<sup>63</sup> Aldcroft, 87. For Aldcroft the Balkan states were Bulgaria, Yugoslavia, Albania and Romania, the Eastern Europe included Romania, Hungary, Poland, Bulgaria, Yugoslavia and Czechoslovakia, while the Baltic States were treated separately. Aldcroft, 3-4

<sup>64</sup> Hitchins 1994, 353

<sup>65</sup> Aldcroft, 87

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