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# MANOILESCU PROTECTIONISM ON TODAY'S ECONOMY

Theoretical  
article

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## Abstract

*Starting from the definition of protectionism, an economic policy of trade between states through methods such as tariffs on imported goods, restrictive quotas, and a variety of other government regulations designed to allow, according to proponents fair competition between imports and goods and service produced domestically, my purpose is to analyze its applicability to the current economy.*

*M. Manoilescu took the occidental type economic policies of the time, as economic policy of internal relations between capital and labour and protectionism inside future Europe lead by Germany as international relations economic policy.*

*The international financial crisis has given rise to several types of protectionism in trade and investment.*

*Protectionism was and still is a phenomenon of the global economy, protectionist measures appearing in the UE.*

## 1. Introduction

Protectionism is the policy of protecting domestic industries against foreign competition by means of tariffs, subsidies, import quotas, or other restrictions or handicaps placed on the imports of foreign competitors.

Protectionists argue that comparative advantage has lost its legitimacy in a globally integrated world in which capital is free to move internationally.

The topic of state intervention is one that has been extensively debated by economists and policy-makers for a number of years. State intervention in the production process is very common in most developing countries. The justifications given by the state for this form of intervention includes reasons which are based on a variety of market failures including imperfections in factor markets, the paucity of information and high risk aversion on part of the private entrepreneurs.

Protectionists believe that allowing foreign goods to enter domestic markets without being subject to tariffs or other forms of taxation, leads to a situation where domestic goods are at a disadvantage, a kind of reverse protectionism. This policy contrasts with free trade, where government barriers to trade are kept to a minimum. In recent years, protectionism has become closely aligned with anti-globalization and anti-immigration. The term is mostly used in the context of economics, where protectionism refers to policies or doctrines which protect businesses and workers within a country by restricting or regulating trade with foreign nations.

By ruling out revenue tariffs on foreign products, governments must rely solely on domestic taxation to provide its revenue, which falls disproportionately on domestic manufacturing.

Companies that have lost their ability to export their products in different countries suffer losses in the short term, but eventually found other outlets.

Instead, consumers are deprived of freedom of choice, with the most affected.

## 2. Manoilescu's theory on protectionism

Starting from the definition of protectionism, an economic policy of restraining trade between states through methods such as tariffs on imported goods, restrictive quotas, and a variety of other government regulations designed to allow, according to proponents fair competition between imports and goods and service produced domestically, I am compelled to find Manoilescu's vision of economy.

Following the evolution of economic thinking in Romania between the world wars I discovered romanian scientific and cultural personalities whose ideas had a powerful influence

outside Romania but mostly ignored or underestimated locally. One of these personalities is Mihail Manoilescu, romanian journalist, engineer, economist, politician and memoirist.

M. Manoilescu analyzed the state's economic role and how this is reflected in modern economic science.

He linked politics to economy and shared the economic neoliberalism of the time.

He demonstrated the necessity of state interventionism, he has shared the conviction that through the alignment of the Romanian economic strategy to the one from the developed countries the lagging behind of Romania could be surpassed.

M. Manoilescu's ideas of economy were very popular and were implemented in Latin America, his works being mandatory references in brazilian industrial circles.

In the spirit of classical protectionist doctrine, Manoilescu thought that the focal point of economy was the national economy, the sum of production assets and a conglomerate of individual traders. Amongst national production assets the foremost is the labour, capital and the other shaving only secondary importance in direct comparison.

Manoilescu's protection is theory was meant to represent an essential component of corporatist economic ideology, the theoretical support of economical policies of corporate states.

Protectionism is the object of vast criticism, because, beside positive, has numerous negative aspects like suppressing an efficient stimulus represented by foreign competition. As a result of tough international competition and protectionist policies of many states, in 1948 the General Agreement on Tariffs and Trade was formed as an inter-governmental organism with the purpose of liberalization of international trade. As of January 1st 1995, G.A.T.T. was replaced by the World Trade Organization with the main objectif of fighting protectionism and liberalization of international trade. Protectionism is the opposite of free trade.

Neoliberal in his thinking, Manoilescu has created a theory that it's both unitarian and original regarding protectionism and international trade, easily recognizable in international economic, political and intellectual societies.

Mihail Manoilescu supported protectionism as a means to develop industrial economy in agrarian societies.

After the great depression of 1929, his book, 'The theory of protectionism and international exchanges', was the basis for justifying protectionism in Brazil while in Romania he had to face hostility from authorities, making it impossible for him, even if for several months in 1931 he was the Governor of the National Bank, to apply his vision to end the economic crisis in Romania.

The understanding of M. Manoilescu highlights the state and evolution of the Romanian modern economy as basis of the main features of the economic and sociological thought in the inter-war period.

He linked politics to economy and shared the economic neoliberalism of the time. At the end of the first world war, when M. Manoilescu began to work to his theses, the western type capitalism already demonstrated the limits of the free competition, because of the increasing vulnerability and contradictions concerning the monopolies, the non-monopolist owners, as well as the labour force, inside each country and on the international market.

### **3. Protectionist measures are applicable in the current economy?**

Economic analysis shows that, in the 1980s, fair trade mechanisms turned increasingly into protectionist instruments used unfairly against foreign competition.

Nationalist protectionist trade destabilises prices and global economy. But how these fair trade mechanisms can be redesigned so as to insulate them from being captured and misused by special interests? Lack of cheap raw materials forces the governments of the world to take refuge behind tinted nationalist protectionist measures, which destabilizes prices and global security.

As the global economy continues to face tough times, governments are increasingly playing politics with trade and giving in to protectionism.

It seems that free-trade and protectionist tendencies are fairly evenly balanced among the great powers, with every nationalist impulse countered by a liberalising one.

The growth on industrial workforce brought increasing political pressure for redistribution. Communism was the most dramatic result. But capitalism economies changed profoundly, too.

In response first to the formation of workers' unions and the rise of socialist parties, and then to the depression, politicians introduced progressive taxes, government regulation and social protection.

Restricting exports increases price volatility and discourages investment in new production because investors can not access high prices on international markets, fiscal pressures weighing on companies grow, and often fluctuating prices increased risks and expensive financing.

Another effect of trade restrictions is abuse of expropriation, often in emerging economies.

One may well think that any market failure could be a reason for protection.

Protectionism in its classic version during the continental blockade of England during the Napoleonic Wars thing of the past. Currently, the

methods have become more elegant and more skillful rhetoric.

Countries that understand the need for a more balanced national economy will provide help domestic producers. In this case need not be necessarily duty system may be used as technical standards, forcing thus all exporters to meet these standards.

Even though many countries use long these techniques to protect against imports competitive market, it seems that he does not always everything Protectionist measures appeared even within the EU, which, in principle, should not exist. France has banned the import of new models of Mercedes cars in Germany.

The official reason given is that the Germans were using other refrigerant for air conditioning in cars than allowed by the European Commission.

There are also commercial disputes also outside Europe such as: patent war between Apple and Samsung, which makes the US could be banned sales of smartphones and tablets in South Korea, or the conflict between China and the EU that could lead European markets disappearance of cheap solar panels and Chinese stores Italian and French wines.

Most industrialized governments have long held that laissez-faire capitalism creates social evils that harm its citizens.

To protect those citizens, these governments have enacted laws that restrict what companies can and can not do in pursuit of profit.

France and six other European countries, including Romania in 2012 demanding the application of European Commission. In 2013, the EU made good progress towards removing some of the most trade-distortive barriers that hinder EU companies' access to the markets of China, India, Japan and Russia, whereas some deep-rooted protectionist barriers still persist in some countries. This is the result of the Trade and Investment Barriers Report that the European Commission will present to the European Council.

Protectionism recently has come in another form. National governments thus provide for procedures under which a countervailing duty against foreign subsidy or an antidumping duty can be levied when subsidization or dumping is found to occur. In practice, however, when protectionist pressures rise, fair trade is misused to work against free trade.

Historically, protectionism was associated with economic theories such as mercantilism, that believed that it is beneficial to maintain a positive trade balance, and import substitution.

Mainstream economists agree that protectionism is harmful in that its costs outweigh the benefits and that it impedes economic growth.

The current post-crisis economy needs protectionism and publicly giving the measure is nothing but diplomacy.

#### 4. Conclusions

Protectionist policies have been implemented by many countries despite the fact that virtually all mainstream economists agree that the world economy generally benefits from free trade.

The international financial crisis has given rise to several types of protectionism in trade and investment. Protectionism will not help any country to emerge from the crisis. It can only be a threat to economic recovery, and so very weak. Countries understand the need for a more balanced national economy will provide help domestic producers.

The current concerns about protectionism extend to two main issues.

First, the exclusion of rich-country agricultural protectionism, chiefly in the form of production and trade subsidies.

Second, economic analysts have been profoundly concerned by the proliferation of bilateral free trade agreements, now known as preferential trade agreement.

In this case it may not be necessarily for the duty system to be used as technical standards, forcing thus all exporters to meet these standards. Even though many countries use long these techniques to protect the market against competitive imports, it seems not always to manage it.

Protectionism is frequently criticized by economists as harming the people it is meant to help. Mainstream economists instead support free trade.

Economic theory, under the principle of comparative advantage, shows that the gains from free trade outweigh any losses as free trade creates more jobs than it destroys because it allows countries to specialize in the production of goods and services in which they have a comparative advantage.

Free trade helps workers in developing countries, even though they are not subject to the stringent health and labour standards of developed countries.

Obviously the main losers in trade wars are consumers. Companies that have lost the ability to export its products in various countries suffering losses in the short term, but ultimately, find other outlets.

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