

Pro-Urban Welfare in Agricultural Countries? Nationalism and Welfare State Creation in Central and Eastern Europe: Hungary and Romania Compared

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Introduction

Under the aegis of the “worlds of welfare tradition” (Esping-Andersen 1990), inquiries into the origins of social policy have generally argued that welfare states were brought into being by social-democratic thinking as particular *corollaries of particular modernization processes* (i.e. - specific just to “classic/Western” industrializers and few of the late-comers - Kaufmann 2013, 183). By neglecting the fundamentally *national* accumulation of social policies as responses to *national* grievances (Kaufmann 2013, 25), such explanations have, by and large, struggled in fully mapping the appearance of welfare states in late industrializers, where backwardness created redistribution institutions that are “hybrid” and “*misfited*” (i.e. pro-urban in agricultural countries). By focusing on one particular cluster of late industrializers, late 19th-early 20th century Central and Eastern Europe, the paper contributes to this gap vis-à-vis *why and how* the initial design choices

were made, which has thus far been insufficiently addressed in historical studies of welfare state creation (Peters et al., 2005).

The aim of this paper is to contribute to the gap concerning the origins of welfare states in Central and Eastern Europe, by pursuing the research question - *Why did the overwhelmingly agricultural states of late 19th-early 20th century Central and Eastern Europe create a pro-urban welfare state?* The paper addresses limitations in the social policy literature concerning functionalist explanations and power source models of the origins of welfare states by bringing in insights from the economic nationalism as pathway to modernization literature. Above and beyond identifying the national economy as the spatial locus where social policy was constructed, the paper will comparatively analyze why and how multiple histories of economic nationalism warped welfare state design.

Concretely, the paper argues that that the outwardly misfited pro-urban welfare state in the mostly agricultural late industrializers of Central and Eastern Europe appeared as a nation-building tool used to create a new, more ‘Western-inspired’ nation. The paper pursues this argument in two late industrializing countries with different structural conditions. Representative of the more backward cluster of late-industrializing states in late 19th-early 20th century CEE, Romania is both neglected in the welfare state literature itself (Inglot 2008 does not touch at all, Vanhuysse & Cerami 2009 shallow analysis, Haggard & Kaufman 2008 somewhat more developed), and, at the same time, not fully mapped in the economic nationalism scholarship (although interwar Romania has been studied from this perspective – Neumann & Heinen (eds) 2013, Jowitt (ed) 1978 social policy has been at best only partially examined). Although sharing with Poland the overarching feature that the welfare was envisaged as a fundamental pillar of nation-building (Inglot 2008, 98-99), as the earliest adopter of Bismarkian-inspired welfare schemes in CEE (Szikra 2004), Hungary represents a better selection as it allows measuring whether the creation of a welfare regime at a comparatively earlier stage of “backwardness”, though “quantitatively” slightly less pronounced than in Romania, influences in any way the causal relationship between nationalizing nationalism and welfare state construction. Although the link between nationalism and social policy becomes extremely pronounced in interwar Hungary, specifically after the Great Depression, this paper will only analyze the pre-World War 1 developments owing to considerations of space, and more

importantly, in order to try and tease out, in a comparative fashion, whether the influence of nationalism matters in vastly different historical contexts.

The paper contributes to the gap in the literature concerning the origins of welfare states by bringing in insights from economic nationalism scholarship. At the same time however, it is important to note that nationalism studies itself has been quite reticent to tackle economic phenomena (Beland & Lecours 2008), offering some partial breakthroughs vis-à-vis social policy via the proxy of citizenship analysis, but rather few studies on how exactly welfare is enmeshed in institutionalizations of the nation (Clarke 2005). In what concerns nationalism, the welfare state literature argues in two main directions - pre-existing national solidarity offers a source of legitimacy for welfare states, *or* benefits actively create and/or strengthen social groups that constitute the new nation. The former strand, comprising welfare chauvinism and regionalization type literatures (der Waal et al. 2010, Crepaz & Damron 2009; Mooney & Gill 2011) generally concludes that a shared national identity is essential for the solidarity that underpins modern welfare states. This rather static argument, that does not however adequately capture the *unsettled times* of late 19th – early 20th century modernization in CEE. The paper therefore follow the second, more dynamic, albeit protracted strand, which argues that welfare states actively *create* the nation (McEwen 2010, Beland & Lecours 2008). This particular body of scholarship shows that welfare states seek to produce a certain homogeneity deemed to be *national* (Clarke 2005). This strand of the literature argues that the nation-building function of social policy can go as far as a complete fusion between nationalistic ideals and redistribution goals (Beland & Lecours & Kpessa 2011), but more commonly consists of the nation-state creating a solidarity that crosses class and/or regional identities (McEwen 2010).

The paper proceeds as follows – firstly, a presentation of the methodology employed for analyzing the origins of the welfare state; secondly, embedding the main argument into existing literature and approaches; thirdly the case-study itself (with two sub-parts an intellectual history-style analysis of trends of thought about modernization and nation-building in the two countries; and a more classical policy analysis of interwar welfare benefits); finally, a set of conclusions both case-study specific and more general.

The dependent variable problem

In order to adequately dissect equifinality (in the beginning all welfare states were urban biased – Haggard & Kaufman 2008, 148), the paper will conduct *process tracing* to document alternative causal paths towards the same outcome (George & Bennett 2005, 215, 224). This raises the need to put the emphasis not just on how much is spent, but more importantly on how it is spent (Tomka 2004, 15). The historical analysis that constitutes the bulk of the paper consists of two interweaved layers – firstly, it maps and analyzes the general flow of ideas vis-à-vis nation-building and modernization in the political arenas of the selected countries; secondly, it looks specifically at how these ideas were embedded both in the general redistribution network and at the level of individual welfare benefits.

Given that the aim of this paper is to analyze why, when and how nationalism influences welfare state creation in late 19th-early 20th century CEE, I follow an inclusive definition of the welfare state that contains two tightly interwoven layers – the welfare sector (a range of social services) and welfare politics (specific patterns of political action based on normative orientations – Kaufmann apud Leisering 2003, 179). This wider socio-political embedding permits observing more precisely why the welfare state safeguarded the poor not just qua poor (Baldwin 1992), but as politically defined at-risk citizens, on categories that could quite easily not be linked with wealth. Tracing how definitions of “at risk” citizens originated from the functional requirements of nation-building, rather than from those of industrialization, enables identifying the *causal process* between the independent variable (nation-building) and the outcome of the dependent variable (the urban-biased welfare state design). By embedding the quantitative analysis of welfare benefits into a layer of intellectual history analyzing nation-building as an overarching modernization process, the paper will identify causal chains between elites’ ideas and policy design.

Sharing existing scholarly concern around using aggregated measures¹, the paper breaks down the “umbrella” dependent variable “welfare state” (Kaufmann 2013, 7) and follows what

¹ Such as social spending in proportion to the national GDP - Inglot 2008, 15

seems to be a common denominator of historical inquiries into the appearance of social policy in its selection of welfare sector components: *pensions, health care (sickness and work injury benefits) and maternity benefits*. Beyond the availability reason in terms of historical data-sets (Inglot 2008, 15 mentions this as a problem for CEE for instance) the selected benefits are validated methodologically by a significant part of the scholarship on the origins welfare states (de Swaan 1990, Inglot 2008, Vanhuysse & Cerami (eds) 2009). Although not included by most authors in the “welfare services” sector, the education system quite clearly represented a core topic of “welfare politics” in late 19th-early 20th century Central and Eastern Europe, as it was envisaged to be a key vector of modernization and a fundamental pillar for nation-building. Therefore, in line with an integrative view of the welfare state, the present paper will interweave an analysis of the evolution of and political debates around the public education system, with the analysis of the more classical welfare benefits.

First and foremost, the analysis of welfare benefits will involve constructing a quantitative core with data on *funding mechanism, level of benefits, coverage, entry conditions and level of ethnic and urban biasing*.² This will be used to map the extent of the welfare state misfit vis-à-vis the socio-economic structure of the two selected cases. Secondly, as the fundamental aim is not to map quantitative “unfairness” but rather to analyze their *conjoined functions and effects*, the paper will also analyze the *formulations of the welfare-related laws themselves as well as the legislation that ties the benefits into a nation-state-wide safety net*. While the nationalizing rhetoric behind welfare benefits is expected to be outward in the policy-formulations, the pro-urban tilting will be visible in the social categories and occupations selected for state-funded social-insurances and the entry levels in terms of salary. Certainly there are limitations in gleaning the pro-urban bias in this fashion, but by embedding the welfare-related laws in the agendas of the major political actors, a general enough image can be derived. In terms of actual sources the quantitative side of paper will therefore use one the one hand *national insurance statistics* (as well as statistics specific to the individual benefits) and *censuses* (to comparatively assess the extent of the policy misfit and whether they eventually had any effect), and on the other hand the actual *welfare legislation* itself.

² In his analysis of interwar Hungary Tomka proposes something similar similar - Tomka 2004, 23 main variables - expenditures, relative importance of welfare institutions, characteristics of welfare rights, organizational form of welfare programs;

In order to deconstruct and make testable across cases the overarching process of nation-building as an explanatory variable, the paper firstly identifies the key agents - above and beyond providing safety nets for exogenously given groups of at-risk citizens, elites can, particularly in historical contexts of weak institutions, *proactively shape the political arena*. For the welfare state this means that political elites reconfigure the distributions of winners and losers and of contributors and dependents, using markers of inequality not always dictated by economic reasons - such as ethnicity for instance (Vanhuysse 2007, Bohle & Greskovits 2012 for post-socialism). Therefore, the paper will comparatively analyze ideational layers underpinning social policies as they appear formulated in the platforms of the major political parties and the debates between their major thinkers in the selected cases. While this represents a significant shrinking of the complex content of nation-building, focusing on political parties and their major thinkers enables accurately observing both political conflict and the role of agency that historical accounts of welfare states generally miss (Peters et al. 2005, 1276-1279). In addition, strong actors tend to develop long-range definitions of their interests (Korpi in Pierson & Castles, 2006, 76-89), generally creating biases of any institutional setting that are couched in higher order ideational constructions. Furthermore, although heavily protected by legislation, employers did not garner sufficient leverage to influence social policy formation (in the sense of Mares 2003). A third possible major actor, big business, started to influence to politics only towards the late 30s when the welfare state had already taken shape.

Primarily the analysis will focus on those parts of party platforms linked with working-class protection and social policy creation. Nonetheless, in order to at least partly break the aforementioned shrinking and stylization of nation-building, these very specific parts of the party programs will be analyzed contextually, embedded on parties' wider vision for modernization. In terms of sources this means - *party platforms and manifestos, major works of party thinkers (or public debates – newspapers, articles, conferences) and Parliamentary debates*.

Embedding the argument in existing theories

In general, current research on the origins of welfare states gravitates around either modernization approaches, which trace early welfare commitments to the functional requirements of industrialization (Haggard & Kaufman, 2008, 6), or around power resource models, which argue that modern welfare states were fundamentally shaped by distributions of power between labor, business and agriculture (Baldwin 1992, Luebbert 1991, Mares 2003, 2004). While having outgrown the narrow confines of their "bread and butter" - inequality (Vanhuysse in Vanhuysse & Cerami (eds.), 2009, 54), existing approaches struggle in explaining why welfare states strengthen otherwise thin social layers (Esping-Andersen 1990, 33), which neither have enough power to influence politics and resource distribution, nor are essential to industrialization. Although bargaining models have shown that due to political calculations otherwise less powerful socio-economic groups can obtain generous benefits, existing scholarship has yet to fully explain why welfare states, since their appearance, safeguard the interests of the poor more than just qua poor (Baldwin 1992, 19).

Historical inquiries into welfare-states oftentimes exaggerate the importance of institutions compared with the role of ideas in policymaking (Peters et al. 2005). For welfare politics, understood as a distinct and concerted pattern of political action (according to Kaufman – apud Leisering 2003), the role ideas is particularly pressing in countries where modernization and industrialization are projects rather than realities, because in such a situation, many political ideas become *modernizing ideologies rather than tools for dealing with modernity* (Dimou 2009, 10 – she specifically refers to socialism but the argument can easily be extended). What follows is that the welfare state might not simply be a by-product of modernization (as argued by Inghot 2008, Flora & Heidenheimer (eds) 1990), *but an essential factor in the constitution of modern European societies* (Kaufmann 2013, 3). This fundamental difference, in addition to the fact that ideas are not just splashed into a context, but go through intricate processes of negotiation of adaptation (Dimou 2009, 9), suggests that diffusion type arguments about the origins of welfare states in late industrializing countries are rather limited in explanatory power

Much of the welfare state literature acknowledges that, at their core, social policies deal with inclusion, exclusion and intersubjective boundaries (Ferrera 2000) and are therefore deeply

intertwined with nation-building processes. In late 19th-early 20th century Central and Eastern Europe state- and nation-building politics crucially superseded efforts to counter economic backwardness, despite being carried out simultaneously with economic modernization, *the nation-state was believed to create the preconditions of the transformation and not vice-versa* (Mishkova's general CEE-wide point in Dimou 2009, 407). Given that welfare politics deal with the state-society relationship, the institutional architecture of the state and the framing of the social question (Kaufmann in Leisering 2003), it thus seems quite clear that welfare state construction in late 19th-early 20th century CEE is embedded in the wider process of nation-building in the economic sphere. This occurs because in this particular historical context, modernization was inextricably linked with the construction of a *national economy* (Szlajfer 2012, 94).

Broadly speaking, welfare states appear as an accumulation of social policies responding to *national* grievances (Kaufmann 2013, 25) and essentially perform a (re)integration function because the national idea was challenged by industrialization and the functional class differentiation it generated (Wimmer 2002, 57-61). This process is multi-layered because nation-building emphasizes a higher level of categorical distinction that in part transcends the initial ethnic ones (Wimmer 2013, 50), which implies that state institutions, effectively shut out those who elites do not consider as a part of the national compact (Wimmer 2013, 33, 96). This occurs because in *unsettled times*, of concerted state-efforts towards “completing” nationhood (Brubaker 1996) elites can, above and beyond providing safety nets for exogenously given groups of at risk citizens, proactively shape the political arena by reconfiguring the distributions of contributors and dependants along politically defined cleavages. The welfare state was thus by and large created to produce a very specific homogeneity deemed, in a top down fashion more often than not, to be *national* (Clarke 2005, 412). The extent to which this strategy represents the fundamental characteristic of the early 20th century emerging CEE welfare states varies along axes of state-society interaction, institutional architecture and varieties of nationalisms.

Unlike the dominant approach which associates ethnic fractionalization with delaying labor movements and retarding welfare state development (Flora & Heidenheimer (eds) 1990, 43, Alesina & Glaeser 2004), the aforementioned argument resonates more deeply with the welfare state literature which acknowledges that, at their core, social policies deal with inclusion, exclusion and intersubjective boundaries (Ferrera 2000). By and large, the existing literature considers two main directions of nationalism-welfare interaction – either a pre-existing national solidarity

offering a source of legitimacy for benefits that would otherwise cater to “strangers”; or welfare benefits actively creating and/or strengthening social groups that constitute the new nation.

The first approach gravitates around the idea that the (re)creation of a unitary national culture offers an answer to the problematic question of "Why care for the stranger?": discrimination for the "alien", doubled by a partial renouncing of individual utility-maximization, towards amorphous visions of social justice (such as redistribution, see Mau 2003, 45), provided that this caters to nationals, and the attached solidarity they carry. Yet, when nation-building has been brought in as an explanatory variable, to try and show why otherwise thin social strata were protected by the welfare state, it has generally been done statically – i.e. pre-existing national solidarity is perceived to be needed for the construction of a welfare net (Tamir 1993, Miller 1995). Inquiring how increased heterogeneity interacts with social policy, the multiculturalism and welfare chauvinism scholarship has partly bridged the gap between nationalism and social policy (der Waal et al. 2010, Crepaz & Damron 2009). However, this literature has been by and large unidirectional in its exploration of how welfare is enmeshed in institutionalizations of the nation (Clarke 2005, 412) - concluding somewhat predictably that a shared national identity is essential for the solidarity that underpins modern welfare states (apud McEwen 2010). A similar research direction, focused not on migration, but on devolution and the centrifugal effects of sub-state nationalism, has unearthed that social policy making is often central to sub-state nation-building projects (Mooney & Gill 2011). Yet, this line of research has yielded rather inconsistent results, specifically about the consequences of sub-state nationalism on social policy - if in the Canadian case it elevated social insurances as a key component of the federal-national identity (Beland & Lecours 2008), in the Soviet context the failure of the central administration to make due its promises of universal welfare galvanized nationalistic oppositions within the republics (Chandler 2011).

In a direction quite similar to the aims of this paper, Inglot infuses some more dynamism into the nation-building-welfare-state relationship by mapping how in interwar Hungary nationalism expanded the welfare state, whilst in Poland it contracted benefits (Inglot 2008). His analysis however stops at epitomizing that the welfare state, as a component of state-building, was legitimized by a narrative of nation-building (Inglot 2008), without mapping the concrete translation of ideas into policy. Building further in this direction, the paper follows a less voluminous strand of the social policy literature, which argues that welfare states proactively

perform a nation-building (for instance McEwen 2010). According to this scholarship, the nation-building function of welfare states consists of either generating solidarity that crosses class and/or regional group identities (McEwen 2010), or pro-actively using ethnicity as a key marker of redistributing winners and losers (Vanhuysse 2007) to strengthen social groups that are considered the backbone of a new nation. In this line of thought, Lecours and Nootens uncovered that social policies contain a nation-describing context (2009), which in cases like Canada and Scotland (Beland & Lecours 2008, McEwen 2008) was indicative of a convergence between social democracy and nationalistic ideas. In her study of Scotland, McEwen further shows that particularly in multi-national states, the development of the welfare state helped promote solidarity that undermined sub-state nationalisms vis-à-vis the overarching state-wide identity project (2010). Rather than assuming a complete isomorphism between nation-state and welfare state as in the strand of the literature mentioned before, this line of thinking more accurately displays the concrete role of social policies for nationalist mobilizations (Beland & Lecours 2008). Furthermore, directly in line with the aims of this paper, this particular strand of research has shown that cases of pronounced backwardness display a more radical fusion between nationalistic ideas and redistribution channels, in the view of ensuring the welfare of *nationals* vis-à-vis well-off *aliens* (for sub-Saharan Africa for instance – Beland & Lecours & Kpessa 2011)

What is specific about nation-building in early 20th century CEE according to existing literature is the presence of a weltanschauung-like *holistic nationalism*, emphasizing complex interactions between the state and societal actors towards achieving *certain collective goods defined as national interest* within *national institutions* and a *national economy* (Szljajfer 2012, 91). As mentioned previously, nationalism thus functioned as an overarching search for alternate ways of modernization (Schultz in Schultz & Kubu, 2008). It is precisely via this economic nationalism as a pathway to modernization literature that the paper intends to contribute to the gap concerning the origins of the welfare state in Central and Eastern Europe.

This literature has time and again stressed that a perceived “incomplete” nation-ness prompted an all-out state intervention towards its “completion”, a proactive *nationalizing nationalism* (Brubaker) elevating *nationhood* as the key principle according to which modern society structures inclusion and exclusion (Wimmer 2002, 57-61). What this implies is that ethnic fractures galvanized rather than hampered welfare state construction (as argued by Flora & Heidenheimer (eds) 1990), as developments in social policy creation went hand in hand with those

of nation-building (Leisering 2003). This sheds new light on Tomka's critique that functionalist explanations are not able to explain why growth of welfare states is not necessarily highest in times of economic prosperity and increased industrialization (2004, 106).

While the literature on economic nationalism in early 20th century CEE barely fences with topics dealing to the welfare state (Beland & Lecours 2008, 1), it does strongly suggest that the welfare state, as an integral component of re-warping the socio-economic fabric of the nation, appeared and functioned as more than just a cumulative result of individual strategies of risk minimization (Wimmer 2013). In early 20th century CEE, mostly agrarian societies which often lacked an indigenous bourgeoisie (Schultz in Schultz & Kubu (ed) 2008, 10), existing literature further shows that economic nationalism fulfilled two important functions – adapting the national system to international stimuli and environments (Szlajfer 2012) *and* economically and politically advancing certain classes (Jaworski apud Lorentz (ed), 2006, 10). Political elites in late industrializing countries recognized that a significant hurdle to modernization was a demographically thin, economically dependent and politically hesitating *national* bourgeoisie (Batou in Schultz & Kubu (eds) 2008, 46) and thus perceived relative deprivation vis-à-vis well off minorities was over-imposed, as a key marker of social policy, on any immediate functional requirements of industrialization (the origin of welfare states according to Haggard & Kaufman 2008).

In the *unsettled times* of interwar “emergency policy making” (Inglot 2008), the economic nationalism literature argues that otherwise strong particularistic nationalisms (like the rising peasantist ideologies or the localized variations of liberalism), were gradually superseded by a new *nationalizing nationalism*. As part of nation-building in the economic sphere, social policy therefore sought to create a kind of material safeguard onto which a cultural and political conciliation could be created (Jaworski in Schultz & Kubu (eds) 2008, 59) within the titular nations that often lacked an indigenous bourgeoisie, which as previously mentioned, became regarded as the key constituency of a modern nation. For the welfare state, this *holistic nationalism* (Szlajfer 2012) embraced by the nationalizing elites implied that in addition to the traditional function of addressing market failures (in skill formation but not only – Mares 2003, 24), welfare benefits also sought to create a new socio-economic and cultural homogeneity, deemed in a top-down fashion as the backbone of the new nation (Clarke 2005, 412)

Nation-Building and Social Policy Creation in 1930-1938 Romania³

Interwar Romania perfectly straddles the previously mentioned gaps - it is an understudied case within the social policy literature (specifically in the institutionalist strand Adascalitei 2012), and most Romania-centered historical studies on nation-building have only rarely touched welfare state issues⁴ (Jowitt 1978, Hitchins 1994, Roberts 1951). The case study is warranted as Romania is, in many ways, representative of interwar CEE states (with the notable exception of Czechoslovakia) – a low urbanization rate, towns demographically dominated by minorities, newly formed nation-states and intense nation-building processes, a rural-agricultural fabric of the country clashing with a political preference for industrialization (Kofman 1997, Radice 1986).

A coherent welfare state with a "rational approach to poverty" (Romanian Encyclopedia 1938, Vol. 1, 519) resulted from the 1933 unification of increasingly voluminous social policy regulations, replacing atomized networks of church- and state-mandated charities. The extent of the welfare regime misfit in interwar Romania is however more striking than in other CEE states, as the country was 80 per cent rural (in reality 90 per cent of total active 1930s population engaged in agriculture), with almost half of its urban population being "alien" (Jews, Germans, Hungarians). Hence, believing that the country was not national enough (Boia 2011, 48), a political elite whose rule did not accurately reflect its social strength (similar to Bulgaria, and less so in Hungary, Poland, Czechoslovakia - Kofman 1997, 57-61), embraced a highly dynamic interventionist stance. This explains why interwar Romanian "nostrification" policies were arguably more dogmatic than in other neighboring countries (Radice 1986, 11), which further justifies the case-study, permitting a clear observation of the entanglement between economic nationalism and welfare state creation. Zooming in on 1930-1938 is justified by better data availability: as of 1930 the newly established Romanian Statistics' School started carrying out

³ The Romanian section of this paper is drawn from Sergiu Delcea, *Pro-Urban Welfare in an Agricultural Country? Economic Nationalism and Welfare Regime Problems of Fit: Lessons from interwar Romania*, in Fetzer & Berger (eds), *Nations and Nationalism in Economic Perspective*, currently under review at CEU Press: Budapest, New York

⁴ Anders Blomqvist, PhD Dissertation Stockholm University, 2014, *Economic Nationalizing in the Ethnic Borderlands of Hungary and Romania: Inclusion, Exclusion and Annihilation in Szatmár/Satu-Mare 1867–1944* analyzes economic nationalizing in interwar Romania, following a similar approach about economic nationalism, but offers only a micro-historical case-study of Satu Mare and does not focus at all on social policies.

social inquiries that were not only frequent, but also more in-depth with indicators that are methodologically relevant for social policy analysis.

Elite-agency in the post-WWI "emergency policy-making" context (Inglot 2008) rendered ethnicity as a key marker of social policy because virtually all interwar Romanian political actors shared ideas of modernization through nationalism. Welfare culture and welfare policies were connected via ideas of nation-building thus creating a welfare arrangement (Pfau-Effinger 2005, 6) that did not redistribute wealth in the polity as such, but from well-off "aliens" to a desirable "core" of the new nation. "Westernizing" the nation was a teleological vision, pursued with an isomorphic institutional adaptation (Meyer & Scott 1994) of a political format for which the appropriate social base was missing (Jowitt 1978, 20). The political paranoia of "not hearing a word of Romanian in our towns" (Boia 2011, 52) suggests who was selected - the thin ethnically Romanian urban bourgeoisie. The state-wide expansion of the redistribution channel meant that nation-building in the economic sphere could touch the entire "desirable core" of the new nation.

Who were the main political actors and how did they conceptualize nationhood, modernization and welfare?

Rather than ethnic fractures delaying labor movements and hence retarding welfare state creation (Flora & Heidenheimer 1990, 43), interwar Romania displays rather apathetic labor movements, unlike other comparable countries (Collier & Collier 1991, Haggard & Kaufman 2009). At the same time, although heavily protected by legislation, employers did not garner sufficient leverage to influence social policy formation (in the sense that of Mares 2003). A third possible major actor, big business, started to influence politics only towards the late 30s when the welfare state had already taken shape. This suggests that the major role in welfare state creation was played by political parties that either were in power or contributed significantly to the intellectual canvas of national politics (via their main policy writers and/or platforms). Therefore this subsection sets out to map the nationalism-welfare nexus within visions of nationhood and modernization in the

narratives of the most influential parties in the interwar Romania. The benefit of this selection is a more accurate observation of political conflicts and ideational clashes (Guy Peters et al. 2005, 1276-1279) that warped early redistribution channels.

Alongside older concerns of backwardness, (Neumann 2013, 385-386), the relative deprivation of Romanians in comparison with ethnic minorities such as Jews, Germans and Hungarians, politically visible via the reports of Bucharest-appointed functionaries in the aftermath of WW1, became the key inequality which interwar parties had to address. A perceived incompleteness of the nation which prompted a dynamic interventionist stance by state- and nation-forgers (Brubaker 1996, 50) in interwar Romania meant that the welfare state was not just a response to the formation of the nation-state (Flora & Heidenheimer 1990, 21), but actively engaged in its creation. This very precise function of social policy became entrenched in the institutional fabric of the nation-state due to the fact that strong actors tend to develop long-range definitions of their interests (Korpi 2006, 76-89), particularly at critical junctures.

The National Liberal Party's (NLP) domineering position in 1922-1928 and its stable 1933-1937 Tatarascu Cabinet meant that *de facto* the party provided the most important contribution to shaping the institutional framework of the country. Haunted by fears of incomplete nationhood as far as 1936, the NLP saw economic independence as a pre-requisite for full political sovereignty (Kofman 1997, 44-86), pushing forward constantly with sheltered industrialization, concentrated almost exclusively in towns. The deep historical inheritance of the NLP's blending of nationalism and liberalism was embedded in the national institutional framework (including the welfare arrangement) through the 1923 Constitution. Essentially Listian in its spirit, the document, pushed almost single-handedly by the NLP, ascribed a social function to individual rights (Hitchins 1994), ensuring that "national interest" superseded private property and collective security overshadowed the right to strike (Romanian Encyclopedia 1938, Vol. 1, 170-201).

This high tolerance towards coercion enshrined policy making as purely top-down, which means that categories of risk were identified (Mares 2004) exogenously by state-makers, rather than by bottom-top pressures. The worldview of interwar Romanian liberals conflated categories of risk with social groups that fit the teleological goal of a "Western nation" - the urban, educated middle classes. Much like elsewhere in interwar Europe, Romanian liberals saw their power gradually eroded as they failed to maintain the support of the peasantry (Luebbert 1991). In the

words of its highly influential theorist, the "neoliberal" economist Zeletin, the suffering of the peasantry was a temporary necessity (see Hitchens, 1994, 295) for the nation to breakthrough "on its own" (the NPL credo). This ideological trend seems a common denominator for the NPL in the entire interwar era, as Manoilescu's late 30s corporatist thinking justifies even further policies of autarky and as a virtual fetish for industrialization, developed out of a perception of backwardness (Hirschman 1968). In addition to being concentrated in towns, new industries were overwhelmingly Romanian, as successive laws not only offered huge subsidies for using upwards of 80 per cent *nationals* as employees, but also drastically limited the number of possible "aliens" as owners or managers.

The nationalistic concern is also the core of the NPL's view on education, as Romanian graduates outweighed in growing proportions minority candidates in a higher education system tailored to create bureaucrats (Hitchens 1994). Through continuous expansion of the state apparatus, with the aim of fully nationalizing the state, bureaucratic employment became a goal in itself, creating a social culture where "a university diploma was a life-long claim on the state" (Seton-Watson 1945, 28). The strategy is successful as it did bolster the ranks of the thin ethnically Romanian middle class, but it created a socio-economic group who believed that "to be young was to be intellectual superior" (Boia 2011, 23) and espoused an unprecedented fusion between questions of national character and the problematization of political modernity (Trencsenyi 2013, 344). It is precisely on this background that, once the state could not uphold its promises for modernization and welfare (i.e. once bureaucratic employment stopped expanding), the urban bourgeoisie turned to the Iron Guard's radical nationalism.

Framed by the stabilized NPL-National Peasantist Party (NPP) duality of the late 20s (Alexandrescu 1998, 91), interwar Romanian politics was conducted exclusively through the lens of nationalism. Outside of the ideological inconsistencies inherent in its origin as a pragmatic fusion⁵, the NPP also sought national modernization, albeit through a softer version of economic nationalism cum developmental economics. Rather than refuting the stage-development understanding of modernization espoused by the NPL, the NPP simply refocused it - backwardness stemmed not from the lack of a social base required for a "Western-style nation", but from rejecting

⁵ Between historical National Party from Transylvania and the newer Peasantist Party from the Old Kingdom. Although possessing some commonalities in terms of anti-liberal and anti-centralization agendas, the two parties are effectively brought together by the need to form a coherent adversary to the NLP, cf. Alexandrescu 1998, p. 273

the peasantry as the common denominator of the nation (Livezeanu 1995, 10). The "peasant state" was thus not a romantic view of patriarchal rural life, but focused on the rural family's ability to drastically cut costs when needed. Growth can only be achieved via the existing "core" of the nation, and it is in this line of thought that in the late 1920s the NPP advocated for a new land reform (a plan not at all pursued) and promoted an agenda based on decentralization and moving industries into villages (equally not well pursued - Scurtu et al. (eds.), 1982). Although the NPP did succeed in appealing to foreign capital for industrialization, the development of industries followed an ethnic route, favoring Romanian ownership and employees.

Yet, for all its concern with agriculture, the NPP was never a specific instrument of the peasantry in the way the Liberals ascribed themselves for the bourgeoisie (Rothschild 1974, 302). In its 1928-1933 rule (with a 1930-1931 caveat) the NPP did dilute the impetus of nostrification and did generate a limited vertical redistribution, but barely considered legally enshrining welfare benefits for the peasantry (qua agricultural workers - Scurtu et al 1982). Granted, some ineffective industries were indeed purged and those that helped agricultural output were strongly subsidized (Scurtu et al. 1982), yet the party's approach of limiting pensions just to bureaucrats (Romanian Encyclopedia 1938, Vol 1., 553-556) also indicates that some observers are perhaps slightly exaggerating a putative "advanced social policy" (Alexandrescu 1998, 284). Furthermore, by picking up NLP and Iron Guard inspired coercion (most notably against the 1933 Grivita workers strike), the NPP *de facto* continued the blocking of redistribution pressures from the working class.

The teleological understanding of nationhood and economic modernization common to virtually all political parties reshaped the temporal and spatial horizon (Koselleck apud Escudier 2013, 47) of social policies - by protecting just one socio-economic group deemed a "desirable core", general modernization of the nation could be achieved benefitting all Romanian society. Despite the fact that in interwar Romania the difference between social and political inequality was not mirrored by the difference between political and social reform (Kaufmann 2013, 62), social insurances did create a sort of societal solidarity contract (Mau 2003, 33), via their full immersion in the nationalizing projects. On the whole, a distinctively Bismarkian influence seems to characterize interwar parties' conception of the welfare state: anti-proletarianization, urban biased and inequality entrenching, the latter being however politically legitimized by a nationalism *cum* modernization ideology.

The mismatch between the Bismarkian urban-biased developmental path of the two major parties and the predominantly rural fabric of interwar Romania was highlighted by King Carol [Charles] II, after his 1930 return to power, by subsidizing sociological inquiries into village life to show the miserable condition of the peasantry (Romanian Encyclopedia 1938, Vol. 1, 970-971). Rather than part of some "grand plan" towards the King's personal dictatorship (Alexandrescu 1998, 91), this attempt to re-legitimize the monarchy as "for the nation", was de facto just a rhetorical trick to elicit the support of the rising Iron Guard. As far as pro-peasant policy-making went, by breeding political instability King Carol II ensured that the economic prosperity of the latter 1930s became concentrated in the hands of the ruling elites, never sifting down to the lower classes.

The Iron Guard summed up these debates into a maze of religious imagery and radical anti-Semitic nationalism, believing that "The country is dying because of lack of *Men*, not programs" (Iordachi 2004, 28). In the autobiographical instructions of its charismatic leader, Corneliu Zelea Codreanu, and in the convoluted theoretically-minded writings of its "ideologist" - Nicolae Rosu, the Guard's "right wing revolution" (Rizescu 2003, 202-203) is less of a coherent ideology (Alexandrescu 1998, 201) and more of a teleological credo in the concept of an organically defined nation. Asceticism and "spiritual rebirth", from the rural core of the "nation", were the key coordinates of nationalism *cum* modernization for this fascist movement which, albeit never actually holding power in the selected time-frame, greatly influenced the thinking of mainstream political actors. On the vertical axis of redistribution the Iron Guard promised in a purely demagogic fashion a full land reform and envisioned a state modeled after the patriarchal rural life (Ioanid 2004, 444). For the working-class, taking away from "aliens" was obviously envisaged, yet, instead of either a classical welfare-ist plan or an industrialization orientation, the Legionary movement promised to make workers "masters in their own country" (Ioanid 2004, 442). Other than abandoning the "large industry of capitalism" in favor of "workshops and stores" owned by ethnic Romanians not many other goals were outlined (Ioanid 2004, 442-446).

The teleological overtone of competing nation-building programs embedded a rigid, top-down understanding of progress: more state interventionism towards the artificial protection of industry would create a capitalist economy, which in the "Western nations" seemed to benefit the entire nation (see further Harre 2013, 154). Politically involved intellectuals and party thinkers underestimated the role of the individual to the benefit of a collectivist philosophy and a dominant

group theory (Neumann 2013, 385), which stemmed from lacing stage-development type theories (Rizescu 2003, 253-254) with economic nationalism qua protectionism. The basis for this worldview was the otherwise accurate observation that the 19th century imports of Western institutions had, already by the interwar, created hybrid social results. It is via this reasoning that a misfitting welfare state was used towards economic nation-building by merging protectionism and social insurance schemes, under an ethno-national shroud.

The overarching problem was that of finding a *nationalized* solution to backwardness, which meant that the relative deprivation of certain nationals became the source of powerful self-induced complexes (Neumann 2013, 384), superseding other inequalities. This overarching frame of thought bracketed the possibility of orchestrating cross-class coalitions, envisaged by the social-democratic thinker Voinea (Seton-Watson 1945, 128) to hold at bay a bourgeois--bureaucratic oligarchy, which treated the budget like its holdings (Chirot 1978). By refuting the defense of the status quo put forward by Zeletin, the main NPL thinker who argued for a stage-based development model, Voinea accurately showed that protectionism essentially locked in backwardness, because the Romanian bourgeoisie, possessing more political power than industrial control, could manipulate industry, but not transform it into a coherent modernization project (Chirot 1978). However, Voinea's theories struggled to convince classes that did not clash, but had sufficiently divergent interests so as to be impossible to coalesce (Seton-Watson 1945, 128). The shallowness of a workers' movement "meant to supersede the capitalist system, in a country where peasantry constituted the overwhelming majority of the workforce" (Rizescu 2003, 215), further blocked the Social-Democratic Party's bid for popularity. Voinea's proposals were taken into account even less with the mid-1930s rise to prominence of Manoilescu and his corporatist doctrine with an aggressive Listian overtone (i.e. more so than the general spirit of the interwar parties). Yet, while his impact was not minimal (Roberts 1951, 196), it was also not very pronounced, as his prestige was only later constructed by Latin American observers and 70s-80s Romanian economists (Salagean & Puscas 2012)

Shape and Functioning of the Interwar Welfare Arrangement

Despite the legal clarifications and state involvement in supplementing the insurance funds, throughout the 1930s the re-organized Ministry of Work, Social Assistance and Health was the second smallest in terms of employee size in 1934-1935 and had by far the smallest budget in 1937-1938, with further contractions being envisioned until 1941 (National Statistical Yearbook 1939-1940, an otherwise CEE-wide pattern – Kaser & Radice 1986 Vol 2, 3). Backing up the ministry was a Central Insurance Fund, set up in 1933, from which all wage earners with a monthly salary lower than 6000 lei⁶ could be covered, gathering monthly wage contributions from five levels of income and special taxes from employers. The bulk of the fund was spread equally between health care benefits (sickness, maternity) and invalidity (40 per cent each according to Romanian Encyclopedia 1938, Vol. 1, 548) and covered around 600.000 employees in 1933 (by comparison in 1930 there were roughly 4.1 million salary-drawing workers), a number that would grow to over 1 000 000 in 1939 (National Statistical Yearbook 1939-1940, 758).

Although state-mandated education is arguably not a welfare benefit it must be briefly analyzed due to its attached value for modernization projects, and its key role as a social mobility vector, creating welfare recipients. A growing need for national elite cadres (Livezeanu 1995, 211), was generally met with a state-funded education system meant to foster cultural homogenization via a single curriculum (Romanian Encyclopedia 1938, Vol. 1, 476) and, equally important, to erode “aliens” ascendancy in the bureaucratic apparatus (Iordachi 2004, 22) and liberal professions. As the growing number of graduates and state functionaries shows, the interwar state-makers were successful in creating an ethnically Romanian educated middle class, yet one made up, almost exclusively, of intellectuals and civil servants (Seton-Watson 1945, 124), favoring state-employment rather than risking entrepreneurship (Iordachi 2001, 163). This explains for instance why in 1930-1937 the Romanian Parliament consisted of 40 per cent lawyers and barely 15 per cent large land-owners (Hitchins 1994, 382). The nationalizing trend is also rather clear as the 1930s saw a yearly 10-15 per cent drop in minority university enrollments in Law, Literature,

⁶1/6 of the highest salary for top-ranking bureaucrats, but higher than the lower-ranked civil servants who represented 76% of the total functionaries - National Statistical Yearbook 1935-1936, p. 22

Philosophy, History, Medicine and Agronomy (National Statistical Yearbook 1938-1939, 255-263).

With a politically constructed prestige, humanities departments essentially mass-produced bureaucrats, and totally dominated the educational landscape of interwar Romania. The few graduates that did come out of an underdeveloped technical sector (National Statistical Yearbook 1938-1939) rarely returned to the villages which the Governmental plans neglected (Romanian Encyclopedia 1938, Vol. 1, 514) - for instance in 1938 barely 10 per cent of medics worked outside urban settings (Romanian Encyclopedia 1938, Vol. 1, 513). Further deepening the urban-rural cleavage, these circumstances ensured that peasants were confined to low-skill jobs, from which they could revert back to agriculture (Gerschenkron 1962), thus essentially freeing policy makers from setting up nation-wide unemployment schemes, as "agricultural workers", were by law, outside the coverage of the welfare state (Romanian Encyclopedia 1938, Vol. 1, 459). The decline of unemployment in the late 1930s as well as that of strikes is thus not a great marker of successful industrialization, as many simply reverted to quasi-subsistence agriculture, outside the welfare safety net.

As economic insecurity inevitably bred cleavages (Mares 2004), nation-makers resorted to status-maintenance to institutionalize middle-class loyalties (Mau 2003, 189), in this case defined through an ethnic lens. In its function of mediating socio-economic cleavages, the interwar Romanian state was thus not at all neutral (Inglot 2008, 25) and resorted to protected groups that fulfilled both general *nationalizing* functions (Brubaker 1996), and immediate concerns of holding power (i.e. rigging elections). This explains why the prime targets were bureaucrats, as in all CEE states at the time (Szikra & Tomka 2009) - a state constitutionally enshrined as *national* required a purely Romanian apparatus, and Cabinets formed by PMs appointed directly by the King, required manufactured majorities⁷. It is in this logic that otherwise low entry level wages were made appealing to Romanian graduates via prestige constructions, as well as more concrete levers such as easy upward mobility, employment stability and welfare benefits. In addition, state-employment was insulated against shocks - bureaucrats experienced only moderate drops in

⁷Just one intriguing example is the very high wages of the Ministry of Interior, where two thirds of employees earned in the highest wage bracket, while only 20 per cent of employees at the Ministry of Education, which was three times larger, and equally important for nation-building, were on the highest level (National Statistical Yearbook 1935-1936, p. 20)

incomes during the 1929-1933 Depression - and more specifically Romanian ones saw continuous revenue, unlike civil servants from minority groups (Berend 1986, 167).

Pensions were the most visible case of welfare state targeting along the axes presented thus far, as they were by law confined to state functionaries (Romanian Encyclopedia 1938, Vol. 1, 553-556). While nation-wide statistics do not provide an ethnic breakdown of pensions, the creation of an ethnic bias can still be gleaned from the context - as the nationalizing process went deeper, "Old Kingdom" bureaucracy, overwhelmingly Romanian, took over the regional state apparatus, becoming very hard to displace and blocking minorities from easily re-entering the system. Conversely, the urban-bias of the pension system is clearly observable, on its two basic levels, in interwar data: firstly, limited coverage - legal provisions ensured workers were not covered (Romanian Encyclopedia 1938, Vol. 1, 552-556); secondly, even within the established system there was an almost three to one ratio of urban to rural bureaucrats with a two to one salary difference along the same line (National Statistical Yearbook 1935-1940, 19-22). Even when opting for the limited options of private pensions, state-employees were still required to pay a monthly 10 per cent wage contribution to the National House of Pensions, which also received generous state funding for the first part of its existence. This again highlights, in a context of declining state expenditure (towards the late 1930s) and growth of personnel, the key political role of bureaucrats throughout the 1930s in Romanian politics.

The targeting mechanism, particularly of accident compensations, highlights an ethnic bias, as the legislation carefully differentiated between bureaucrats, overwhelmingly nationals as presented earlier, and other salary drawers both in terms of entry conditions and of what was actually offered. An injury severe enough to make a bureaucrat incapable of public service, if directly caused by the duties of the job, generated a pension of 40 per cent of contributions (with three per cent yearly increments, for the first 10 years), which could then be coupled with any other kind of salary (i.e. non-civil service). In case of an accumulation of several pensions, the highest one would always supersede (Romanian Encyclopedia 1938, Vol. 1, 494), which effectively only helped bureaucrats as they were the only wage earners that could access multiple pensions. When a civil servant was rendered incapable of any kind of future employment, after passing a rigorous control (with both personal doctors and those appointed by the House of Pensions), the invalidity pension offered was extremely high - at least 75 per cent of the last salary. By contrast, non-civil

service insurance recipients only needed a personal doctor's confirmation of total loss of work capacity, and received a maximum pension of two thirds the insured salary (which was always lower than the actual salary).

Extensive work was put into "social diseases" that needed to be "cleansed" (Romanian Encyclopedia 1938, Vol. 1, 490-500) and the phrase "growing" the nation appearing time and again in the legislation of the period, further highlighting the very clear nationalizing aim of health care benefits and, by extension, the welfare state. Regarding maternity, the nationalistic aim is expressed outright in the legislation - the protection of mothers and children are a priority for "the normal and healthy development of the nation" (Romanian Encyclopedia 1938, Vol. 1, 525). Not only did the legislation target *nationals*, but the state also actively engaged in ensuring that the possible pool of benefit recipients were ethnically Romanian, by offering successive subsidies and/or tax deductions to firms who passed a certain threshold of employed Romanians. This is why other measurements such as the ratio of hospitalized *nationals* to *aliens*, in a context of a constant 10 per cent yearly growth of overall social insurance recipients from at least 1936 until 1939, indirectly also depict an ethnic bias of the welfare state. State expenditure on medical assistance rose rather sharply from 1934 until 1938 (Romanian Encyclopedia 1938, Vol. 1, 550), with 53 per cent of days of hospitalization insured in the late 1930s and nearly 30 times as many days billed to the state rather than to private insurance companies (National Statistical Yearbook 1939-1940, 211). Even if one were to factor in suppositions that better off minorities had better food and living conditions and were hence less prone to diseases, the trend is continuous and way outside other demographic proportionalities: almost 50:1 Romanians to Hungarians in 1933-1935 and 60:1 in 1937 in a demographic balance of roughly 10:1, 25:1 Romanians to Jews in the same 1933-1937 time-span (with a demographic ratio of 15:1) (National Statistical Yearbook 1939-1940).

In contrast with ethnic targeting, the urban bias of either pensions or health insurances is not directly expressed in the legislation, but is visible in the ruling elites' rhetoric which links modernization and nation-building, with industrialization and urbanization. With mortality rates atop the European charts (Hitchins 1994, 336) and an urban-biased distribution of medics (1:1500 rural versus 1:390 urban ratio of medics contrasting with a 4:1 demographic domination of villages (Romanian Encyclopedia, 1938, Vol. 1, 490)), by 1938 Romanian authorities surmised that "if we

were to judge exclusively by the high numbers of doctors in towns, we could say that we have attained at least satisfactory elementary coverage" (Romanian Encyclopedia 1938, Vol. 1, 513). In this line of thought, it is no surprise that death were significantly reduced in towns, accompanied by an increase in hospitalization days and medical presence. By 1938 only 21.7 per cent of all urban deaths occurred without any medical presence compared to the 68.3% deaths in villages (National Statistical Yearbooks 1939-1940, 144). In terms of maternity-related benefits, the contrast is almost abysmal: over 20 times as many births occurred in hospital or with medics in towns and 1.5 times more births benefited from qualified assistance in towns than in villages (National Statistical Yearbook 1937-1938, 120)! While not fully attributable to social insurances, this can be safely assumed to be the result of better access to medical facilities regardless of insurance status.

As capitalism penetrated interwar Romania it enslaved the peasantry even more (Chirot 1978, 41) via a welfare arrangement that locked out 78 per cent of the active population from anti-poverty safety nets in 1937 (Hitchins 1994). Politically this was legitimated by teleological visions of nationhood and stage-development theories that identified the peasantry not as a desirable "core" for the nation, but rather as a potential source for social turmoil. Although in the early 1920s the "peasant problem" was an acutely debated topic on the intellectual canvas on the country (particularly through the works of Constantin Dobrogeanu-Gherea – see Love 1996), on the political arena mainstream parties approached land reforms and rural economic recovery first and foremost as anti-communist prophylaxis (Rothschild 1973, 291) in a political context which almost never stopped pushing for industrialization at the peasantry's expense. Already by the mid-1930s numerous authors blamed the post-WWI land reforms for the agricultural ruin of the country particularly in the cases where these reforms had taken on more radical forms (such as Romania and the interwar Yugoslavia – Berend 1986, 203). Notwithstanding, even at the height of its pro-peasant orientation in the early 1930s, the Maniu Cabinet of the NPP barely dampened the popularity of pro-industrialization economic nationalism (Kofman 1997, 79), and despite their 1927 call for a new land reform, when in power, the Peasantists generally resorted to other anti-Depression measures such as cost reductions, debt conversion and market monopolization.

The 1921 Romanian Land Reform, radical in terms of land re-allotment, but less so in terms of compensation, was highly effective in breaking up large estates owned by the minorities

(particularly in the newly acquired Transylvania and Bessarabia) and further ensured *national* proprietorship through very strict laws covering re-selling the newly gained land. This succeeded in dampening post-WW1 social tensions (Roberts 1951, 20), but at the cost of creating an economically unsustainable fragmentation of estates - by the early 1930s the small three to ten hectare plots that the Land Reform envisaged as the future backbone of Romanian agriculture, but which in reality were ill suited to promote wealth accumulation, had grown to represent more than half of the total number of properties (Roberts 1951, 50-51) due to a demographic boom and tight re-selling regulations. The slightly increased health conditions towards the latter 1930s do show a limited trickle down effect, but it is in general not surprising why the Iron Guard's nationalistic vision found strong roots in interwar Romanian villages that were all but excluded from the modernization project.

Despite the concerted state effort, in absolute figures urban growth was however modest, actually dropping in percentages from 20.1% in 1930 to just under 19% in 1938 (National Statistical Yearbook 1939-1940, p. 142-143). This is why the 1936-1938 growth in social insurances of the upper-middle categories of salaries (National Statistical Yearbook 1939-1940, 758-760), must be read contextually: said growth only meant that urban elites were better off, as the availability of a cheap rural labor force combined with unclear administrations effectively ensured that the employer had huge leverage over the workers and thus easily kept wages down in villages (Seton-Watson 1945, 136). On the other hand, an urban-biased accumulation of resources was clearly present since by 1937 57 per cent of all industrial capital was held by three per cent of corporations (Hitchins 1994) and by 1938 the capital's production was 17 per cent of the whole country (20 per cent if adjacent settings are factored in).

Welfare and nationalism in Hungary before World War 1

The political canvas – modernization, nation- and state-building

Although Hungary was an early emulator of Bismarkian reforms its progressive legislation from the 1890s was not fully implemented (Szikra 2004). This early diffusion of Bismarkian policy ideals occurred in a much more intricate context than in neighboring Romania – on the one hand Hungary’s comparatively faster rate of industrialization had started to lose traction (Szikra 2004, Berend & Ranki 1974a); on the other hand, pre-existing liberal legacies meant that the new social policies were implemented in an institutional framework that tended to exclude many of the needy and was geared towards repression of unsupported poverty (Zimmerman 2011, 11).

Said existing legacies should not however be simply plotted within the traditional dichotomy of liberalism vs. economic nationalism qua protectionism, as Hungary’s political, economic and social canvas seems to stand at an intricate crossroads between multiple external influences and internal responses. Early-mid 19th century Hungary witnessed a gentrification similar to most of its cluster neighbors (particularly acute in Romania – Janos 1982, 45-47), but the ensuing economic ruin seems to have gone above and beyond the regional averages, owing to particularly profligate importing (Janos 2000, 62). At the same time however, as Lampland argues, Hungary’s comparatively better institutionalized state structure was during this time implicated in a gradual shift in concepts of value – away from feudal service towards (proto)capitalist notions of land and labor as resources (Lampland 1998). In this context, otherwise narrow economists’ arguments on Hungary’s “backwardness become mass narratives, immersed in and colported by overarching narratives on the need to “Westernize” (Janos 1982, 45-47).

Lampland’s depiction of the institutionalization of a modern state around maximizing revenues from land (1994, 1998), although striking important Weberian points about modernization and “Westernization” in 19th century Hungary, slightly obscures a fundamental hybridization process typical of the CEE (semi-periphery). Particularly in the aftermath of 1867, but originating earlier, the creation of a modern state in Hungary and the introduction of modern democratic institutions had unforeseen circumstances, namely the over-bureaucratization of the

polity and the rise of a neo-corporatist society which blended meritocracy with quasi-feudal hereditary principles (Janos 1982, 92). This stemmed from the particular appeal the French-style administration had had on many prominent liberals in the mid-19th century (Janos 1982, 76). While the Hungarian bureaucracy had an artificial growth (i.e. outside the country's institutional and economic development), what strikes out in its case, as opposed to Romania, is its more closer abiding by international standards (Janos 1982, 89). Above and beyond its role in political machinations for manufacturing electoral majorities, this professionalized bureaucracy meant that the adaptation of Western-style legislation and institutions (Janos 1982, 96-100) in 19th century Hungary could at least in part reach further than the typical "forms without substance" (Mishkova in Mishkova & Daskalov (eds), 2014)

Yet, in an 80% agricultural country in 1870 (Janos 1982, Tomka 2004), for all the state's efforts towards facilitating the transition in concepts of value towards capitalist understandings, there also emerged in the mid – late 19th century, a strong trend of thought organically linking land with the nation (Lampland 1994). The adoption of a capitalist market in the mid-19th century, at a particularly rapid pace in the aftermath of the 1867 creation of Austria-Hungary, thus meant that the paternalism offered as a conventional solution to agricultural ruin of the gentry (but not exclusively), was transferred from the family to state, the latter's new socio-economic function being to achieve a better distribution of gains (Lampland 1994, 312). As state-forgers espoused a teleological commitment to catching up economically with the "core" (Janos 1982, 92), the role of a state otherwise armstrung in its international economic relations by the institutional architecture of Austria-Hungary, was veered towards economically and politically advancing certain classes so that they could adapt to the ebb and flow of the international markets (Janos 2000, 106).

The immediate modernization hurdle thus became – how can the state be imparted the means to make up for a dependent national bourgeoisie (Batou 2008, 46) who had whole-heartedly embraced the safety cushion of state employment instead of the insecurities of the market? As elsewhere in CEE, the nation-state was to provide modern social life and became linked with the victory of a centralizing state vis-à-vis communal self-rule (Todorova in Trecsenyi et al. (eds), 2006-2014, Vol 3). In the peculiar context of Austria-Hungary's institutional set-up, economic nationalism in Hungary developed not so much as a relationship between states, but between ethnic groups spread over specific socio-economic strata (Lorentz 2008, 128). Although higher education

remained quite elitist up to the end of the 19th century and early 20th century, mass education did explode in Hungary which created a very peculiar social mobility opportunity – as the traditionally market-oriented German minority moved into public offices, the incoming Jewish minority replaced them and gave rise to an ethnicized rift of labor (Janos 1982, 170, 112-118). While their language assimilation enabled the Jewish minority in Hungary to transcend the region wide “pariah entrepreneur” status, as Janos shows, they were nonetheless perceived as outside the organic nation, merely as partly assimilated allies which allowed the ruling liberals to hold a majority (electorally as well as ethnically based on language identification – Janos 1982, 116-118).

Virtually across the entire political spectrum in late 19th-early 20th century Hungary problems of national identity thus gradually became interweaved with problems of economic progress, land ownership and labor relationships (Lampland 1994). Granted, this did not take the shape of an ethnically based segregation (Janos 1982, 182). Rather, it functioned as a state-centric developmental model, skewed towards the *Magyardom*, though not devoid of open assimilation pathways, and essentially striving, as elsewhere in the region, for a material safeguard for a parallel cultural and political conciliation (Jaworski 2008, 59). Starting from the 1880s the earlier identification of land as an organic component of the nation becomes a central political stake – agrarian reform platforms drift from the neutral “need of working hands” to a claim for a *Hungarian* agricultural labor force (Lampland 1994). The influence of such trends of thought was far-reaching – from the 1890s the ruling liberal elite changed its settlement focus away from the “efficiency” based argument of manning manorial estates towards guaranteeing that Hungarian land be “colonized” with Hungarian bodies (Lampland 1994). This was particularly relevant because even at the height of the Liberal-bureaucratic-machine’s power, the gentry did not monopolize public institutions, as aristocrats and their specific view on land and modernization continued to be ubiquitous in Parliament (Janos 1982, 110). As Janos further points out however, for all their seemingly “neutral” policies, the ruling Liberals were “no less patriotic than their ultra-nationalist opponents” (Janos 1972, 123). Although perhaps not typical *nationalizing nationalism*, late 19th-early 20th century Hungarian nationalism clearly went above and beyond a putatively neutral public space (Hanebrink 2006, 7), as public institutions, particularly courts of justice grew gradually intolerant towards minorities (for similar offences as Magyars – Janos 1982, 100). That the influence of nationalism was growing can be also seen from the fact that the Liberal Party’s bid for Church-state separation cost it, even at the heyday of its power in the late 19th century, a

significant number of deputies (Janos 1982, 101). On the radical side of the spectrum, represented by a new wave of reform-minded intelligentsia, even for internationalist-minded radicals, like Oskar Jaszi and Julius Pikler, nationalism was at the very least a necessity of the specific historical period that Hungary was in (Janos 1982, 185).

Under Coloman Tisza (1875-1890) the Liberal party and the bureaucracy essentially fused to ensure majorities which essentially enshrined, quite similar to interwar Romania, that the welfare of the state superseded that of the citizenry (Janos 1982, 122). Further similar to interwar Romania, this developmental trope in late 19th-early 20th century Hungary implied that rights were commensurate with social function (Janos 1982, 92). In a general-European context of crisis of liberalism, an over-bureaucratized Hungarian state continued the pre-existing squeezing of the country-side - avoiding pressure on the urban standard of living was hailed as a necessary stage for economic “take off” (Janos 1982, 129). This intentional urban biased developmental path contrasts with the fact that in the second half of the 19th century wage workers in large and/or small industries were barely 10% of employed workers overall (Berend & Ranki 1974b, 78). While industrial growth in this period might seem more spectacular than in neighboring Romania, it occurred in a similar concentrated way – in 1900 the dependency on agriculture might have dropped down from 80% to 62%, but the majority of industry was concentrated in and around Budapest (Janos 1982, 151), and the countryside continued to look and function in a quasi-medieval fashion (Berend & Ranki 1974b, 75). As Wekerle’s tax reforms shifted the tax system away from large estates to small plots and from direct to indirect, the 39% agricultural wage earners (Berend & Ranki 1974b, 47), contributed 15-18% of their revenue to the state, while the urban wage earners, earning on average 2.5 times better, contributed only 10% of their revenue (Janos 1982, 108, 155).

The worker question – from poverty aversion to proto-welfare-statism

As state-lead modernization started to lose its impetus the ruling Liberal party gradually realized that nation-building by assimilation held the country together as long as economic progress created enough incentives (Janos 1982, 128). Hungary’s decreased pace of

industrialization and prolonged economic slump in the latter part of the 19th century clashed with trade laws and rigid regulation (industrial as well as agricultural), leading to an increased commodification of labor (Zimmerman 2011, 70-71), which brewed social unrest. In its attempt to dismantle remnants of the feudal system the Liberal Party granted partial bargaining rights to workers (mostly urban – Janos 1982, 129), which directly lead to the fact that unlike Romania’s more vague modernization conflicts (Cerami & Stanescu 2009), late 19th century Hungary witnessed quite large worker strikes that were a direct cause of the 1880s initial welfare legislation (Berend & Ranki 1974b, 87).

The social insurance model constructed to meet these problems seemingly contrasts with the overarchingly liberal tone of late 19th century Hungarian politics, but in reality fit perfectly with a dynamic state interventionism (Szikra 2004), that would assure the social quiescence needed for a particular version of nation-building qua modernization. Although prominent figures in the Liberal Party (Pulszky, PM Tisza) realized that this was not a deviation from a Western-inspired developmental trajectory, but rather a corollary of industrialization, they were nonetheless firmly opposed to admitting lower classes (or national minorities for that matter), into the political community of the nation (Janos 1982, 164-165). This seems highly relevant because it was precisely the more skilled workers coming from Austria and Germany, which Hungary had a clear interest in attracting, who had demands which contributed significantly to the creation of welfare legislation (Berend & Ranki 1974b, 78). As Szikra further shows it was precisely the owners of large “multi-national factories” that generally pushed for welfare legislation, while the small employers judged the ensuing costs to be too high (Szikra 2004, 257).

For Janos social policies devised to ameliorate working class problems without actual political inclusion represented the “natural” solution for pragmatic liberals who were acutely aware of the limits of democracy in backward countries (Janos 2000, 143). The pro-worker (implicitly pro-urban – around 1900 Budapest and a handful other cities contained the majority of industrial labor – Janos 1982, 151; Zimmerman 2011) social policy was done at the expense of the peasantry simply because the working class was perceived as the more immediate danger (Janos 2000, 143). In addition to this economic-social reasoning, Szikra adds that cultural diffusion from Germany and Austria played a crucial role in “choosing the Bismarkian way” (2004, 258-260). What Szikra further highlights is the intentionality behind emulating Germany, disregarding the more

universalistic developments of Denmark (Szikra 2004, 260). While to a non-negligible extent the functional requirements of industrialization, which tended to be organized around towns, does explain the urban biased social policy, ultimately the presence of a social insurance system in a country with 63% agricultural workers in 1910 (Zimmerman 2011) seems to contradict the basic assumption of the power resource model for instance which would predict a universalist social policy.

Although the early 1891 sickness insurance law (Act XIV) displays considerable reach by covering, under a compulsory scheme, the most vulnerable industrial employees – day workers, it nonetheless left out agricultural workers, which, as previously mentioned, were a large majority of all Hungarian wage earners (Szikra 2004, 261; Berend & Ranki 1974a,b). Initially, the insurance was to be deducted from daily pay, two-thirds from the worker's salary and the rest paid by the employer (Szikra 2004, 263). Although Bismarckian in spirit, the Hungarian law went above and beyond German and Austrian aims – insured employees received free health care and 20 weeks of sick pay (Szikra 2004, 263). The system was further developed through the creation of a State Healthcare Fund in 1898, financed by the levying of a supplementary tax on direct state income tax, which in essence ensured a country-wide homogenization by starting to gradually erode the exclusive reliance on municipal responsibility and funds (Zimmerman 2011, 14). Further extensions to the system were implemented in 1907 when family members were also included (Zimmerman 2011, 111).

The law on the State Healthcare Fund, albeit not fully widening the welfare franchise, did however stipulate that employers also had to meet the costs of hospital care for agricultural servants for up to 30 days (Zimmerman 2011, 94). For Szikra the pro-industrial, hence overwhelmingly pro-urban, tilting of the overall Hungarian welfare legislation can be attributed to the influence of landlord MPs and the comparatively weaker organization of agricultural workers (2004, 262). Yet, although both arguments hold bearing, as Janos notes, there seems to have been a more direct intentionality towards creating a *horizontal redistribution from the countryside into towns* (2000, 143). The hallmark of initial welfare state development in Hungary was that although adjacent laws (i.e. outside the direct social insurance laws themselves) did create some avenues for benefits offered to agricultural workers, in practice, coverage was limited both by the state's weak institutional framework (Szikra 2004), as well as by overt efforts to narrowly define

“worthy” groups (Zimmerman 2011 documents the never-ending debates around who was legally an “agricultural worker”). Furthermore, of the 84% factory workers included in the compulsory health insurance scheme in 1910, about half were employed in the large factories mostly concentrated in the greater Budapest area, leaving out a huge number even of industrial workers outside the capital city (Szikra 2004, 269). More concretely, in 1910 out of the approximately 1 million insured workers under the compulsory health insurance scheme, over 700.000 are located in towns, with only slightly better balanced numbers for accident insurance (Zimmerman 2011, 118)

Although the intentionality in the Hungarian case is perhaps less strong as in the original Bismarckian reforms, which were almost entirely premised on *national unification* (Kaufmann, 2013, 24), what is however clear is that social insurances were nonetheless a modern response for framing national unity and developments in social policy creation were clearly linked to those of nation-building (Leisering 2003). Need-related policies were not simply about an abstract notion of social integration, but were clearly geared towards making people conform to dominant expectations and interests (Zimmerman 2011, 3). This explains why late 19th century Hungary social policy displays a rather sharp division of the poor into deserving vs. undeserving groups (Szikra et al. 2009, 133). Although policy makers were increasingly animated by the idea of an active state to protect the *nation* against the side-effects of modernization, they still conserved the *laissez faire* ethos claiming that it was the *active citizens’* duty to try and steer clear of poverty (Janos 1982). Although they continued the rather repressive poverty character of existing system, the new more integrative social policies from the late 19th-early 20th century, were designed as a much more coherent nation-wide system than the seemingly “aimless and disorganized” municipal poor relief (Zimmerman 2011). At the same time however, late 19th century Hungary clearly highlights the dangers of methodological statism (Greer et al., 2015) in studying welfare state creation – as Zimmerman documents in detail, municipal duties vis-à-vis poor relief were virtually ubiquitous, albeit varying greatly (2011). Similar to Romania and other more backward countries, Hungary displays however a capital city bias (Lipton 1976), both in terms of economic development and in terms of Budapest being an ideational hub. This latter line of inquiry is particularly important here as it was basically from Budapest reformers in the early 20th century that a more welfare-ist rather than simply anti-poverty type of thinking spread to the whole country (Zimmerman 2011).

The ambition of the 1891 law was to cover everything from the trade law of 1884, only unambiguously disenfranchising agricultural workers (Zimmerman 2011, Szikra 2004). By contrast, in Germany, the main source of inspiration for the Hungarian developments, agricultural workers were included in health and accident insurance as early as 1886 (Zimmerman 2011, 150). Above and beyond the obvious argument of a developmental gap that permitted Germany such a wide welfare net, the continuous debates on the legal porous boundaries between agricultural and commercial work in early 20th century Hungary display a clear intentionality towards a limited social insurance coverage. The developmental gap argument does not however fully hold as Hungary did introduce minimalistic provisions for agricultural workers – minimal compulsory accident insurance was implemented in 1900 and covered 1/10 wage earners in the early 20th century (Zimmerman 2011, 117, 137). *De facto* it was mostly agricultural machine workers that could benefit - despite continued debates as far as 1913 Act 20 clearly re-specified that agricultural servants were outside worker health insurance (Zimmerman 2011, 142). While this clearly represented a huge difference vis-à-vis neighboring Romania⁸, in practice adjacent laws narrowing down the definition of agricultural machine workers “stood symbolically in opposition to the idea that the armory of modern social policy might conquer the world of commercial agriculture” (Zimmerman 2011, 140). The Hungarian *in nuce* welfare etatism of the early 20th century⁹ clearly increased, via labor insurance, the difference between rural and urban social relations (Zimmerman 2011, 120), owing to targeted state intervention more so than to weak agricultural organization (as Szikra 2004 claims). Granted, an acceptance of the “temporary suffering of peasantry” as in interwar Romania, was not as dominant a political trope in late 19th-early 20th century Hungary, nonetheless in practice, owing to an intricate combination of political intentionality and institutional weakness, early Hungarian healthcare benefits appeared and functioned in an urban-biased fashion. Political debates regarding full coverage of agricultural workers display that state-makers considered that on the “periphery” where most of the agricultural labor was concentrated, adequate healthcare for instance superseded the need for *health insurance* (apud Zimmerman 2011, 95).

⁸Zimmerman notes that outside Germany itself this is an innovation on a European level, though this must be nuanced when adding Scandinavia to the picture

⁹Janos 2000 identifies welfare etatism as a distinct stage of public policy against backwardness in CEE

That the emerging welfare state was part of a state-lead modernization process is obvious in the great lengths to which Hungarian policy-makers went towards crushing workers' mutual associations (Szikra 2004). As the state gradually built up its social policy institutional architecture, key positions were constantly assigned to state officials, while representatives of both employers and employees were marginal (Zimmerman 2011, 105). Furthermore, as in other Bismarckian-inspired welfare states key components of the benefit basket itself were developed almost exclusively around state-employees (Tomka & Szikra 2009) – family allowance (introduced in 1912, Tomka 2004, 57), old-age pension provisions (firstly 1912 – Inglot 2008, 97, then properly implemented in the interwar). Quite clearly, on a fundamental level at least, similarly to interwar Romania, bureaucrats in late 19th-early 20th century Hungary played a crucial role in modernizing the state. The boom of the education system seems to have functioned in a similar way throughout the CEE (semi)periphery regardless of comparative developmental levels – over-bureaucratization as a result of the gentry's withdrawal from the insecurities of the market (Janos 1982). Although the bureaucratic oligarchy pushed its control over the entire institutional architecture, including the education system, it did not go to exceeding lengths in limiting the number of non-Magyar students until the interwar era. Furthermore, even when the politics of nationhood came to the fore in the aftermath of the 1868 Nationalities Law, nationalism qua modernization was clearly a common trope within the new rising middle class, as a result of an education system designed to promote Magyarization (Janos 1982), yet the complete fusion between questions of identity and those of modernity that occurred in Romania, did not take place in late 19th century Hungary.

This opens up the central question - what influence, if any, did nationalism, as the otherwise overarching political trope, play vis-à-vis welfare state creation in late 19th-early 20th century Hungary? While Szikra notes that there are indeed more than financial reasons behind the lack of commitment of Hungarian officials to adequately implement and fund a state-wide coverage of welfare benefits (Szikra 2004, 271), she seems to slightly gloss over the outward nationalistic tones of welfare concerns otherwise couched in arguments about efficiency and/or productivity. Above and beyond the immediate aim of pre-empting working class uprisings, social policy even at this very early stage functioned so as to create politicized social identities (Skocpol 1992, 48), in the wider view of creating a very specific socio-economic homogeneity that nation forgers envisaged as the backbone of a new nation. Previous arguments, albeit drawing attention to the importance

of ideas in framing social policy responses to modernization, seem to gloss over the interweaving of class issues with nationality issues – particularly in the case of Jewish and German workers. Although Lampland argues that sometimes indeed class superseded nationality, racial arguments were nonetheless a ubiquitous trope in late 19th-early 20th century Hungarian politics, “juxtaposing the Hungarian race to groups who were seen as *alien*” (Lampland 1994, 304).

Although the causal pathway is perhaps not as obvious and direct as in interwar Romania, the link does clearly exist –the take-off of a truly integrative social policy, replacing the initial “worthy-unworthy” divide, occurred in Wekerle’s 1906-1910 coalition government, a cabinet whole-heartedly committed to “national rhetoric” (Zimmerman 2011, 96). While terms like “national” only appear in welfare related programs and documents rather later on¹⁰, child policy for instance quite blatantly pursued a Magyarization policy in the early 20th century (Zimmerman 2011, 50). As Zimmerman further notes, the extent of this ethnic bias was quite significant – on the one hand, placing children in homes with non-Hungarian speaking nationalities was actively avoided; on the other hand, intervention vis-à-vis helping the Roma minority was virtually inexistent, except in the cases of “settled groups” that were considered as potential candidates for *national integration* (Zimmerman 2011, 50). Even at an earlier stage however, Szikra notes that major fears ran on the one hand of weakening Hungarian workers vis-à-vis their Austrian counterparts, and, on the other hand, of covering via the compulsory health insurance scheme “gypsy smiths in Maramaros” (2004, 270). Even if outward nationalizing aims are not expressed in the legislation, Hungarian state- and nation-makers were deeply concerned with economically and politically advancing certain classes so as to create a socio-economic homogenization needed for constructing a more modern nation. Without being hailed as the hallmark of modernity like it was in Romania, the urban biased welfare state did carry a deep normative undertone - as Zimmerman shows the politics of workers’ insurance in effect privileged the urban areas with their “progressive labor relations” (2011, 120), as a key step towards Hungary catching up with the “core industrializers”.

The state’s half-hearted commitment to financing welfare schemes contrasts with the rather wide array of benefits that complemented the initial 1891 health insurance law. In addition to the

¹⁰ 141 the term “national” appeared in a Hungarian settlement publication first in 1929 in the foreword to the Yearbook of the Social Policy, a collection of essays featuring a summary of the activities and development of settlement work in Hungary between 1912-1929 – Szikra et al., 2009

aforementioned civil servant-centered benefits Hungary further introduced maternity leave (1884 – Szikra & Tomka 2009, 21) and industrial accident insurance (1907 – Szikra 2004, 258). Granted, coverage was very narrow (Inglot 2008, Szikra 2004, Zimmerman 2011), as is quite visible in the fact that the Social Democratic Party and the trade unions were very vociferous towards deepening the redistribution network through nationalization so as to ensure adequate coverage (Zimmerman 2011, 105). The state did expand its social policy horizon, yet in it did so in a different direction - even as early 1896 unemployment started to be linked to macro-labor market issues, as opposed to the previous lens of approaching it via poverty policy (Zimmerman 2011, 64). For state officials spreading coverage was only a second-rate objective vis-à-vis the more immediate aim of creating a centralized network of institutions to ensure a common redistribution network. Above and beyond emulating the free-floating European discourse towards improving the conditions of the working class the aim of Hungarian state-makers in the late 19th-early 20th century was to foster loyalty vis-à-vis the state and social cohesion by dampening the disruptive potential of worker associations (Szikra 2004).

Conclusions

Above and beyond a mutually reinforcing nationalism-social policy relationship (Beland & Lecours 2008, 209) owing to a co-constitutive relationship between agency, structure and process (Lawler 1997), this paper has shown that in late industrializing states, the sphere of social policy lies firmly within that of modernization. At the same time however, structural conditions do matter – Hungary’s comparatively stronger institutions clearly blunted the reach of nationalistic ideals, without however removing them as key pillars of the emerging welfare arrangement. The economic dynamic of the country seems however to only play a marginal role vis-à-vis political ideas on “worthy” groups – although Hungary’s industrialization continued more rapidly than in Romania, industry almost reaching a balance in terms of economic weight to agriculture by the outbreak of WW1, as far as 1910 state-makers were still primarily concerned with protecting

towns. Sharing in common the teleological vision of a "Western capitalist nation", interwar Romanian ruling elites created an ethnic (more precisely ethnic *and* urban) status as the centerpiece of a top-down strategy for modernization and economic progress, which relegated the market-defined inequalities (i.e. the dire situation of the peasantry) to an inferior position on the political agenda. Backed up by specific political ideologies this reconfiguration creates a welfare state with a coherent mechanism of modifying socio-economic structures and which also performs a system-legitimizing function.

On a theoretical level, this paper has shown that entrenching a set of institutions, like the nation-state and/or the welfare state, is as much an intellectual exercise as it is one of politics and economics (Douglas apud Meyer & Scott 1994, 64). In cases of perceived incomplete nationhood, nationalistic elites generate a particularly powerful impetus for social policy expansion. The emphasis on solidarity derived from nation-building narratives means that welfare states do more than prophylactically tackle poverty as a collective action problem (de Swaan 1990, 3) - they strengthen exogenously given social layers (that are often actually rather thin Esping-Andersen, 1990, 33), by reinforcing allegiances to the state as a *nation-state*. On a very broad level this explains why rather than ethnic fractures delaying labor movements and hence retarding welfare state development (Flora & Heidenheimer 1990, 43), perceived relative deprivation on ethnic grounds can act as a catalyst for social policy creation. For late industrializers in particular, the fundamental market-correcting aim of social policy (Mares 2003, 24) is refracted more often than not through an ideology of nationalism qua modernization. This occurs because welfare states are not *deus ex machina* market correcting mechanisms (Kaufmann, 2013, 1), but political responses to market failures, refracted via political ideologies.

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