

CURRENT DYNAMICS OF ROMANIAN CONVERGENCE

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Abstract:

Even when the modern society achieved a well deserved vote mixed with economic control mechanism, the effect of the overall economic motion was, in essence, the accumulations and des-accumulation of wealth for certain innumerable members of managing entities. In 2009, the Romanian economic crisis brought an overall slowing down effect of production and consumption. The 21-th paradigm remains to solve the contradictions of meta-markets, finding a mechanism of distributing the resources and incomes in terms of consolidating the stability and economic security.

Key words: *economic crisis, effects, contradictions.*

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INTRODUCTION

The grand currents of the economic science have been displayed using the development model put in practice by the most developed countries (United Kingdom, France, United States of America, and so on) and they have been spread by the knowledge society media as a trustful reference to be followed by smaller nations.

The scientific analysis, though, is grounded in all cases assuming an axiomatic premise: the prior existence of a certain form of property and administration, in which two poles (private and public ownership) disputes larger shares in the combining leadership role.

The history of the economic welfare, arising from centuries of debates, argues that, at least under the property and ownership point of view, the exaggeration or the concentration of advantages only towards one of the two poles, only leads to gathering profits and advantages to the leading group which currently administrates the territory during that specific timeframe.

Even when the modern society achieved a well deserved vote mixed with economic control mechanism, the effect of the overall economic motion was, in essence, the accumulations and des-accumulation of wealth for certain innumerable members of managing entities.

In moments of economic crisis, such those we pass now, we remember all the theoretical principles which moderate the transition towards the doctrinaire reconciliation upon the supremacy of the most acceptable form of property.

In the market economies world-wide, we now assist at a production and consumption decline, for goods and services, reflected by the index statistics of unemployment, inflation, current account deficits.

Thus, for our country, the economic growth, from continuous positive achievements during the last 9 years (even 8.5% from GDP in 2004, 7.1% in 2008), to a (- 7,7%) negative index in 2009; the Romanian indicators for 2008, compared to the European average, show that the average inflation rate per 2008 in Romania was 7.89%, while in EU was 4.1%; the long term interest rates were 7.7%, while in Europe the average interest rate was 6.24%; the currency interval (leu/euro) was in Romania (+9.7) / (-14.6), while the average per 2 years was (+/- 15%); the deficit of the consolidated budget,% from GDP, (fiscal deficit calculated according to ESA 95 methodology) was in Romania 5.4%, and in Europe (Maastricht commitment) under 3%; the public debt

(%GDP) could be under 60%, according to the Maastricht Treaty, and for our country it was 13.6%, (sources: EUROSTAT, NSI, NBR, European Commission, MPF).

DEBATE

Per 2009, the Romanian economic crisis brought a slowing down of the direct inflation targeting of 3.5%, this target being transferred to the next year, 2010: if the first term of 2009 recorded a 6.71% inflation rate, the last term decreased it to 4.49% (yearly average rate of 5.5%).

Present trends for a closer connection between business and the European economy are guided by the interest of the whole European economic meta-system, at they refer to

- The harmonization within the system of globalization trends, with special emphasis on European Union role, as an ideal market-partner.
- To continue the implementation of innovation and competitiveness at larger scales, in regional profile.
- To look forward profitable association between all activities and science industry, in order to enrich the various forms of development.
- With special emphasis on 2010 target, to combat poverty, marginalization and social exclusion, improving the living standard for the European citizens.

During the whole time frame after the 1989 Revolution, the main tools used by the macroeconomic managers to stop the negative effects of the switching system to the market rules, and to set up a competitive economy, were instrumented by National Bank of Romania, which decided the downward adjustment of interest rates.

This orientation seems to be of neo-keynesian and monetarist essence, but for the transition period, which assumed huge transition social costs, it was the most efficient and quick-responsive tool.

In spite of a large-scale commitment to build a Romanian economy in line with the most advanced western ones, the measurable macroeconomic index, on aggregate markets, are not yet comparable with the European average: the monthly average gross wage was in 2009 around 110 Euro, and the monthly average net wage was around 82 Euro, according to National Statistics Institute sources.

As a consequence of the world-wide negative growth and to the wide opening to the western developed economies (Germany, France, USA), Romania suffered a dramatic crisis, illustrated by index by the end of 2008, 2009 and even the beginning of 2010, reality that made the political decedents to access financial assistance from international and European sources.

In such conditions, the expenditures pressure upon macroeconomic decisions were very much under the restrictions imposed by the International Monetary Found, which gave the major financial assistance for our country, the two years Stand-by Agreement of 12.95 md. Euro (11.443 md.STR).

Simultaneously, the imports were diminished because the domestic consumption went down, more than (-33%) compared to the previous year, making the trade deficit came in at 626 million Euro.

The foreign trade situation for our country mainly means a drastic dependency of imports and exports, so that a paradoxical effect of the convergence process arouses: the more economic agents close trade ties with the big Europeans economies (Germany and France), the more vulnerable they become facing the foreign environment.

In this condition, the negative effects can be moved in territory on the merchandise sustentation.

Permanent deficits and excess of labor occur, in different segments of markets, stirring the pressing requirements for co-operation and communication among various entities, involved in economic and administrative domains.

The task of the economic paradigm of the 21-th century remains to solve the contradictions of meta-markets, which are a main crisis generator.

It should find a largely accepted allocation mechanism for distributing the resources and incomes, in terms of consolidating the stability and the economic security.

It is log ago when the theoreticians of the welfare economics stated the fact that macroeconomic wealth is formed by microeconomic wealth units, in other words it is not possible to have a welfare society without being formed by a sum of wealthy firms and individuals.

The contemporary crisis owes this particularity: a strong contradiction between a world inter-economic competition, which trends to push up the strongest elements of the global market and the multi-dimensional effect of transition of some new so called emergent economies, as elements which were not entirely defeated under the aspect of competitiveness fight.

Because in an economic body, even the smallest element counts for the development purpose, the transition phenomena which initially interested only few countries, now reverse and transmit effects to the grand traditional players, creating new statistics of the achievements.

To illustrate this, European statistics display the index we can compare.

Thus, the unemployment rate in EU 27 was in 2008 of 7%, and in 2009 it raised at 9.4%, (estimations for 2010 are of 9.5%), while in Euro-zone area the unemployment rate raised from 7.5% in 2008 to 9.9 in 2010; inflation has been measured since 1913 by the Consumer Price Index, CPI, and in European Union by the Harmonized Indices of Consumer Prices, HICP, and it was, related to 2005, of 109.19 for EU 27 and an estimation of 110.08 per 2010 in the same area; the current account deficits of EU 27 raised last year up to 27.0 billion euro (<http://www/epp.eurostat.ec.europa.eu/>)

REMARKS

Observing the current economic evolution in the European Union, we reach the conclusion that there are two groups of factors which compete to the appropriate solutions for the present crisis: endogenous and exogenous.

Endogenous, national or internal factors refer to the natural resources, able to serve the business interest in convenient exploitation conditions: the pricing system was modified by crisis, in the sense that some natural resources become profitable, using new technologies, a new management, or new deals on international markets.

Romania owes such natural resources, as natural gas, oil, nuclear energy potential, salt, minerals, and a favorable climate, which is attractive for the investors.

On the other hand, taking for good the world outlook for 2008, Europe in general was the most attractive place for foreign investments, situation that encourages the immigration flows which supply the human capital requirements.

A special emphasis on agricultural issue draws the attention on the importance of the agriculture, which remains attractive because the European Union and Romania as a committed member-state will continue to allocate great subventions to this strategic sector, up to almost a half of the European budget.

Human resources is another important domestic factor competing to the economic recovery; although the population evolution in Romania recorded a malthusianist evolution after the second world war, and the urban population doubled its number during 25 years even before the Revolution, now, the scarcity of local employment of some regions caused a massive exodus of labor, estimated at around 3 million people, which are now working in other European countries.

The main problem of this issue will remain for some time the low level of the wages, compared to the average level of EU.

The major economic factor having a negative impact on the national development potential in the structure of the branches, in the sense that there share differ a great deal compared to other European countries, in spite of efforts which were done, especially to raise the share of services sector; because of this inherited situation, our country lacks investments, and consequently, many activities have a low productivity.

In order to solve the economic gaps compared to the developed countries level, estimations reveal an investment rate of more than 30% out of the national income, which would secure an 8-10% growth rate of GDP.

The precarious economic situation of our country was aggravated by the former political regime which imposed a total isolation from the exterior.

The external or exogenous causes of the current crisis refer to a series of conditions, factors, economic mechanisms, which geared development: for Romania, the former situation of defeated country after the Second World War had as consequences great payments to the former USSR, followed by unfair trade relations among the CAER states, during the socialist period.

Becoming a European member state, our country has now to face the market practices regarding the financial and monetary policies, and the new conditions of the foreign trade.

CONCLUSION

Romania, after 20 years of market economy, and more than two years of economic crisis, remains characterized by a series of aspects, such as:

- The GDP per capita is lower, compared to the European average, while in 2009 the economic growth measured negative index, the yearly result being not very attractive for business;

- Romanian economy passed through a process of convergence, of harmonization with the structures of the European Economic system; a large share of the local industries still deliver raw materials, or materials with a summar manufacturing, agricultural goods, especially those with specific autochthonous particularities;

- The national economy is strongly dominated by the foreign capital, due to the fact that local industries are affiliated to trans-national corporations.

- In our country, the human behavior is less adapted to the market relationship, and it will take some time to restore a competitive optic in the labor market

What do developed countries, such France or Germany to step out the crisis embarrassments, which is a protectionist political orientation of the resources, should serve as a vivid example for other countries, owing less tradition in managing the market economy imperfections.

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