

DEINDUSTRIALIZATION AND INDUSTRIAL CONVERSION – A FRAMEWORK FOR RESTRUCTURING IN REAL ECONOMY

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Abstract:

In recent years the Romanian economy has followed a path characterized by high distortion, winding and the lack of viable economic strategy. The economic unsustainability of the main industrial sectors and structural imbalances led to a chronic inefficiency of most industrial sectors. Reducing the share of industry in all national economy, due to various causes, is part of a natural process of economic development, where activities concentrate more and more from primary and secondary sectors to tertiary sectors. The concern regarding deindustrialization expressed repeatedly in economic literature has, however, no grounds, in the light of some arguments.

Key words: conversion, industrialization, state intervention, conversion strategies

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Deindustrialization and its forms of manifestation

Deindustrialization is the restriction of industrial activity in the economy of a country.

Acceptance and proper use of this definition involves specifying the scope of industrial activity, some experts consider it as limited to manufacturing, and extending it to other extractive industries, others referring to the entire secondary sector of the economy, so including industry and construction.

Tightening the industry is reflected in diminishing visible and continuous level indicators relevant to its business dimensions, such as labor used in the industry, the production value achieved, the share of the country's participation in foreign trade. Deindustrialization process is too complex to be considered as a single effect causes, the change produced in the action of a factor.

Careful analysis of de-industrialization process and its forms of expression to identify the main causes that cause it:

1. Poor Performance Management made a large number of industrial firms in the long run to the worsening economic and financial performance up to a threshold below which it fails, thinned ranks as traders in the industry. Poor managerial ability is linked to high production costs, poor quality of products / services, inadequacy of supply to market demand, adverse branding company in financial difficulties.

When this phenomenon takes some extent, companies with poor management by its very weak influence their activity level negative macroeconomic indicators such as: GDP, actual individual consumption of households, the actual collective consumption of general government gross fixed capital formation, exports, imports of goods, the trade balance, consumer price index, exchange rate, number of employees, number of unemployed, the private sector share in GDP.

2. Competitive disadvantages of the industry as a whole or industrial sectors, higher production costs, lack of diversification of products, poor quality of production and products, poor distribution channels, after-sales service is bad-a frequent cause of de-industrialization . Competitive disadvantages mentioned can be regarded as the

industry equivalent of the management deficiencies at the company, because as outlined above.

Removing these competitive disadvantages can be done by adopting a firm strategy to reverse the negative trends (increased costs, decreased quality of service products, low productivity, etc..) By modernization, refurbishment, waste prevention, either by removing the non-competitive firms and industries and reallocation of resources by investing in industries with high growth rates and prospects for further development.

3. Another reason lies in reaching a higher stage of economic development at the transition from industrial society to the post-industrial, the secondary sector share decreased appreciably for the tertiary sector.. The passage that is linked to the degree of maturation of the economy and the change in the desired public goods and services, the center of gravity of the demand gradually moving towards the service sector. The demand for services is correlated with that of economic development, namely the GDP. Increase the share of services sector contributes the lower labor productivity compared to that of its industry (which allows the service sector to absorb labor in excess of one off in the industry), increase education and training of population growth life expectancy of the population and its living standards.

4. Appreciation against foreign currencies also contribute to the deindustrialization that it exports more expensive and lead, thus reducing the competitiveness of their products and services in foreign markets. In general, for this reason its negative impact on the level status indicators (labor use) and performance (production, export share in world trade) of industrial sector takes about how to maintain a high rate of national currency in relation to other currencies.

5. The existence of multinational companies and their business expansion outside the country of origin determines the deindustrialization of the country of origin by simple fact of being out of work, in most cases, the production, distribution and sales.

Multinational companies have certain competitive advantages specific business - economy of scale, product diversification, superior marketing and management capacity - and the countries where these companies are expanding their activities location specific advantages - low labor costs, skilled labor, adequate infrastructure , favorable business environment. On the basis of these firm and location advantages, multinational companies determine the most profitable form of exploiting these advantages, namely the export of products and services, licensing contracts with local producers or franchise or the transfer of activities abroad by origin.

6. An interesting question by de-industrialization is intensifying its effects on large-scale exploitation of new natural resources. Entry into a country's economic cycle has a significant new resources to determine the assessment of that country's currency against other currencies and thus, reduce the country's competitiveness in international markets.

7. A final cause of de-industrialization is the specific dynamics of different industries in different countries, which is that the same industry to be found in situations that vary appreciably from one country to another and therefore provide an extended performance range.

The differences are explained by the influence of determining factors - the industrial policy of each country, the driving forces that stimulate the growth of industries (export, domestic demand, large-scale refurbishment, etc..) specific conditions (such as endowment factors).

Reducing the overall share of industry in national economy, due to reasons shown, is part of a natural process of economic development, the focus of activity moving faster or slower in primary and secondary sectors to tertiary sectors. The

concern expressed repeatedly in the literature on industrialization has, however, grounds, in light of several peremptory arguments.

a) The interdependence of national economy sectors is widening the extent of its maturity and its entry into a qualitatively higher stage of development, which emphasized a strong reference to an OECD document: "lines dividing net economy sectors will lose probably in the future significance. Rather than emphasize one sector over another, the focal point of economic development policy is it must maximize efficiency gains systemic integration of different industries. "

In this perspective, the key challenge is to articulate synergistic sectors of national economy so that, depending on existing specific factors that influence the development of various sectors and industries, to maximize their contribution to overall development.

b) Fears of lower productivity in the services sector compared to that achieved in the industry is losing more and more justification. Thanks to modern computer technology, marketing, and office activities are recorded in services currently spectacular productivity growth.

c) In the last decades in developed countries, the services sector proved capable in many areas to generate jobs in greater numbers than jobs lost in declining industries. Empirical evidence convincingly proves this and, as the penetration of new technologies and other categories of services, the phenomenon of creating new jobs in this sector will increase.

d) Interdependencies between manufacturing and services is increasing continuously, which, on the one hand, gradually blurring the differences between them, and on the other hand, they are each more sensitive to changes in the other area.

For example, in the last decades of spectacular development of tourism has stimulated the expansion of several related industries (for coaches, facilities complex, lifts, hotel and restaurant furniture, camping and souvenirs).

In addition, increasingly more industrial companies turn to specialized services - accounting consultancy, engineering, financial, technological, managerial, marketing, IT, insurance - which emphasizes the interrelationships between secondary and tertiary sectors of the economy, resorting to external services, which means the outsourcing of activities, according to transaction cost theory, tends to increase as it increases the needs of service companies increasingly specialized and demanding.

The reasons given, the service sector is, on the one hand, as one that interferes most with the industry, and on the other hand, as one able to quickly and efficiently reabsorbed capital, labor and activities made available by the restriction manufacturing industry. In these circumstances, it adopted a policy to counter the underlying causes of deindustrialization and a functioning market mechanisms to stimulate, and thus, economic structural adjustments imposed by economic development?

The question split the scientific community finds that industrial policy and, moreover, between those who argue the need to adopt an active policy to hinder the recovery of deindustrialization and declining industries and those who advocate a policy supportive, neutral, not favoring any sector of the economy or an industry and allow market mechanisms to fulfill its mission unhindered structural adjustment and stimulant controllers.

Among the measures envisaged by the supporters first answer to this question fall introduction of taxes and subsidies to support the modernization and innovation adoption affordable rates, fixing interest rates and exchange rates for the industrial sector, import controls, etc..

In view of the supporters of the second response, creating a favorable business environment, stimulate structural adjustments in the firms and industries, is the only way to facilitate the conduct of the natural processes of change and adaptation.

Convert industry - a condition for the success of Romania in the European Union economic structures.

The conversion of the industry's vision of developed countries is to increase or decrease the size of a company, setting up small and medium enterprises whose role is to ensure the operation of large businesses, increasing market competition and maintain a balance between different categories of size enterprises. This process is usually the result of decisions taken at company level. State intervention varies from country to country depending on economic circumstances, the extension of the internationalization of trade, financial resources available and social costs of technological change and constraints due to socio-political environment in different countries.

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In these circumstances, it is to find and create the conditions needed to use the country's full potential and stimulate those structural changes that allow employment of our economy as a market economy.

Convert industry can be viewed from multiple perspectives. Thus, conversion can mean shift or change in business objectives, changes in production structure, organizational restructuring, technical or technological, human resources management and restructuring or change of ownership.

The grouping of these elements point: converting industry can be viewed from two perspectives, namely:

- a quantitative aspect, which includes: company size, level of physical production or number of units
- a qualitative aspect, such as technical and technological performance, quality products, the degree of pollution.

Conversion arrangements will vary from one company to another, from one sector to another, the most common procedures are:

- an operational conversion - the improvement of production technology and efficiency, resource allocation, the changes in processing capacity, computerized economic organization. This type of conversion is difficult to achieve by the state, which is why it is necessary to be given to privatization, then following properties of the actual conversion.

- a financial conversion - which aims to reduce arrears of enterprises and promote revenue growth.

In selecting companies for their conversion to the following criteria and priorities:

- representative firms and their linkages with upstream and downstream industries;
- value of production for export;
- economic and social impact of restructuring at various levels;
- the ability of enterprises to the economic and financial rehabilitation.

Conversion in industrial purposes are usually:

- change the size of the company and their production capacity, having regard to market demand and the resources at its disposal;
- implementation of privatization and mergers division, a better utilization of production capacity, human resources and creating a competitive environment;
- liquidation of inefficient firms which have no prospect of rehabilitation.

Most conversion programs to businesses facing arrears and losses and prospects of large capital inflows are reduced. Strategies to be considered are defensive strategies, restriction, aimed at eliminating the failures encountered. Depending on the business situation and strategy will differ from case to case, as follows:

- radical reintroduction strategies, focusing on changing the composition or manufacturing classification by eliminating unprofitable products, the impact on cost and quality or orientation to another portfolio of products where technological capability can allow or ensure that the investment funds for modernization and refurbishment, on the one hand, and on the other hand, if the market presents an attractive potential for new products

- survival strategies or partial dispossession of assets focused on scaling capacity, depending on the required solvent and available resources and selling assets - amounts they obtained to be used for strengthening and upgrading the remaining work;

- liquidation strategies, applied unprofitable units, whose activity is not validated by the market, and this is one way to eliminate their funding from the budget and financial bottlenecks, as well as targeting of resources absorbed by these units in more profitable directions for national economic recovery.

The conversion strategies, along with economic issues need to be measured and analyzed the social effects, ensuring an optimal mix between the pace of change and its amplitude amplification to avoid social problems and, consequently, the costs of change.

For countries in transition to a functioning market economy is important to identify both structural and operational details of the transformations that start and final state accepted as a market economy.

During this period successive notes two trends:

- downward instability - recession - because of insufficient effective demand corresponding to general economic decline;
- upward instability - Reform, transformation - when there is actual demand is, however is subject to efficiency.

Resolution would be in a first step, a macroeconomic policy to eliminate the imbalances and increase effective demand, virtually subdivided in the next stage in the property reform and structural adjustment.

In these years of transition was attempted overlapping the two stages leading to a chronic imbalance of both types.

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