

CONTENT AND DYNAMICS OF THE ROMANIAN ECONOMY

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Abstract

*Inter-dependant economic activities, in the logical and preponderantly axiological chronology of their carrying out, represent the quintessence of the human society, its vital area. The coherent set of these activities, meaning the **economy** reflect the objective reality of the acts, facts, behaviors, phenomena and specific processes of the economic life, correlated with the scientific-technical progress and the natural environment.*

Key words: *Romanian economy, economic life, human nature, individual responsibility, social responsibility.*

1. The human content of the economy

Economy as basis of the society means that it represents the core element on which the system of inter-human relations is grounded, as such relations are historically defined and interests bearing.

Profound transformational moves generated by the scientific-technical and ecologic progress, by welfare and in the same time poverty expansion, substitution of gross labor with information or knowledge and understanding, amplification of sophisticated manufacturing methods, largely dependant on computers and information, enhancement of the crisis regarding mankind issues represent reasons for reflection, for inciting to thorough analysis of the Romanian economy's moves until this moment, to designing the present in the not so remote future.

The occurrence of new economic activity systems undermine the pillars of the old economic system, transforming the individual's life, the favorable ambiance, business, policy, morale, nation - state and the very essence of the economics, by placing the economy on the edge of the most profound switch, in line with a lasting, sustainable and then household economy.

But what does economy mean? Our walk through the old Romanian economic systems imposes that we should remind their content. **Economy represents a coherent set of relational activities in which people select what, how much, how and when they should produce in order to achieve their development purposes and those regarding the manifestation of their personalities in the community, people themselves representing a product of nature and of the society.** Economics, along with the other areas of the social life reflect in time and space man's continuous struggle with the nature and society within him, in order to adapt to the biological life needs, to the natural and social environment in which he is required to live. "Unless for such a system which could produce food, process, pack and distribute it, which could fabricate textiles and deliver medical and educational services, which could provide laws and maintain the order, which could prepare the collectivity's protection - life would be extremely difficult".

The genesis and development of the economics represent a permanent valorization process which has been consciously performed by people. Therefore, economics represents the real form of human action. It has occurred and developed by people and for them, and it has always been of

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human nature. Human economics is not a current concept; it has a long history and has evolved in steps². The content and permanent transformation of economics reflect the modality in which individuals succeed in correlating their unlimited, permanently diversifying needs, with the rare, yet alternatively usable resources. Depending on the relatively limited resources, people act reasonable in order to select the best option of the economic activity, upon defined conditions in time and space. The tension between needs and resources is permanent, and it manifests by human satisfactions or un-satisfactions on an individual and social level, by equalities, gaps, leaps or relative stabilities, etc.

In this process of choice, each individual is transiting through life, permanently registering joys and sorrows. **Economics as real form of human action is itself in continuous transformation and transition.** Economic life is an endless struggle of people with the principles of rarity, impossible and unknown, with the limits of freedom, in order to transform such in cert, possible and known elements of the day-to-day life, which they could then put in the service of achieving the set out aims. "The true issue is that in real life we normally don't have to choose between risky and cert situations, but between risk levels and various possible results."³

In this normal struggle with the limits of our existence, man and human collectivity, permanently under transition, learn to adapt to the natural environment they live in, by creating a **specific living environment** in which they act and produce what they need in order to live. "The progress of freedom in mankind history is not therefore a progress registered only in fighting against external imposed limits, but first of all in the dispute with the limits imposed by the nature in us and which represents a life time struggle of one with oneself."⁴

It results that human action has two groups of responsibilities:

a). Individual responsibility for the way in which the freedom of choice is reflected in what we need to do in respect with our own living;

b). Social responsibility for the way in which each individual's freedom of acting is reflected in the freedoms of choice of the ones with which that individual interacts, by the social nature of human action.

These two responsibilities should be compatible in time and space.

Obviously, many criteria exist for assessing the types of human activities. Given the relatively limited resources, the set of human activities pursuing to answer to the questions of what, how much, how and for who there should be produced are known as **economic activities**. In such, fundamental issues are solved regarding the volume, structure and quality of the goods that should be produced, regarding the present and future possibilities of producing - who, where, how much and with what costs - and also regarding the way in which we handle distribution and final using of the goods we produce, the ensuring of compatibility between the man-made and natural environments. By the economic activity those utilities are produced that people need in order to satisfy their life needs. Given the fact that satisfying people's needs represents a permanent process, the production answering to these exigencies is continuously carried out.

The economic activity or economy, in any times and historic circumstances represents people's primordial pursuit, their concern of ensuring species existence and perpetuation,

² The ample presentation of the aspect undertaken in the following can be found in the papers of: Constantin Popescu, Dumitru Ciucur, Ion Popescu - "The Transition to the Human Economics" (Romanian: "Tranzitia la economia umana"), Editura Economica, Bucuresti, 1997; Constantin Popescu, Dumitru Ciucur - "The Stages of Human Economics" (Romanian: "Treptele economiei umane"), Editura ASE, Bucuresti, 1997; Dumitru Ciucur, Hie Gavrilă, Constantin Popescu - "Economics" (Romanian: "Economie"), Editura Tribuna Economica, Bucuresti, 2004, etc.

³ Orio Giarini and Walter Stahel - "Limits of Certitude" (Romanian: "Limitele certitudinii"), Edimpress - Camro, Bucuresti, 1996, p. 256

⁴ Gabriel Liiceanu - "About Limit" (Romanian: "Despre limita"), Editura Humanitas, Bucuresti, 1997, p.69

satisfying vital needs regarding food, shelter, clothing etc. Once these needs are satisfied, the conditions are created for attempting to satisfy the other needs: cultural, spiritual, political etc. needs of the individuals and of the community as a whole. That is why economy represents basis, **vital and permanent area of the society**, and the economic activity is directly or indirectly involved in satisfying the needs of the society and represents the general fundament in the life of all people.

It is this sort of arguments we are considering when attempting to draw the overall picture of the human economy development, by reaching the conclusion that, in economy, transition is permanent; **regarded in terms of transformation, it cannot end, and any simplistic, insufficiently precise understanding over the end of transition is counter-productive.** Transition proves to be the permanent form of human evolution, whilst the costs of the transition through life are interested for any individual and for the social community as a whole.

Under the current circumstances, the Romanian economy is facing **great challenges** which are of substantial influence over the dynamics of the society in all its composing segments.

First of all we refer to ensuring **economic stability**, which must be achieved by judiciously relating such with the social measures such as increasing salaries, pensions and other monetary benefits. Under-evaluation of this relation generates larger demand for goods on the market, uncovered by the offer; hence resulting in increased inflation which would diminish the population's buying power.

Another challenge refers to observing the correlation between the **dynamics of the Gross Domestic Product and the dynamics of the inflation.** If this correlation is allowed to evolve by itself, the situation can be reached when the majority of the population would rather prefer high increases of GDP and implicitly of the salaries, without taking into consideration the danger of increased inflation. Nonetheless, both the economic theory and practice demonstrate that rapid and sustainable economic growth needed by our country in order to reach the developed countries, can only be achieved upon reduced inflation. That is because only then investors would trust to place their capitals in the real economy. In case of large inflation, in the country speculative capitals are attracted, which rapidly generate large profits and then hastily go.

In prolongation of such challenge there becomes necessary to peruse the correlation between the **rhythm of economic growth, the rhythm of consume growth, the rhythm of salaries growth and that of external deficit.** These correlations must be scientifically achieved and monitored, and should not be left to be regulated by the market, because any market failure leads to inflation and to the erosion of population's buying force.

Economic growth based on consume, instead of export, represents a very damaging tendency for the Romanian current economy. The more Romania consumes, the larger the external disequilibrium is, because the economy is not able to ensure a rhythm of increasing exports up to the level of the imports, as demand is larger than the offer of domestic goods.

Hence another important challenge referring to the fact that Romania needs not only the **statue of functionally competitive market economy, but also the statute of efficient, proficient economy.** Synthesized, this would mean that if higher levels of the leu are rather grounded on economic performances than on inflows of European or foreign capital, then the national currency would resist to shocks that might arise on an external level.

That is why by means of the macro-economical policies constant stimulation of economy performances are imposed and the creation by such of real anti-inflation anchors. Such a tendency based on authentic economic performances ensures effective resistance against potential external shocks caused for instance by more expensive loans or by the international oil price exceeding a certain psychological level.

An important challenge for the Romanian economy is that regarding the **labor force.** The economic environment has reached such a situation when the re-thinking is necessary on its

fundamentals of the training and use of the labor force. This should also take into consideration the criterion according to which the priority is to train workers for the existent labor places. It is necessary to train workers for the existent labor places by adequate training programs and then, if the case, to create new labor positions. The in force labor legislation should be improved and modernized, by revising its protectionist nature in favor of the employee.

The permanent changes in the Romanian economy involve people more and more profoundly both before and after the actual use of production factors. **Investing in people is the hope for mankind.** Man is the creator of all goods, and producing them produces transformations in the human life system. As industrial revolution generated a new system for creating welfare, and the smoke chimneys in their time stabbed the sky above once cultivated lands, the same robots proliferate in human economy deep changes in people's life and action, in propagating the tensions between needs and resources, and also in personal, political, national and international relationships imposed by the struggle for the equality of chances for coexisting and succeeding generations.

2. Inter-dependant stages in the economy evolution

Economy is by essence human, and it can be delimited as it follows: individual, family, company economy, as well as local, national, regional-international economy, world economy, and in perspective - cosmic or interplanetary economy. Identifying periods for such forms allows us to shape various stages within them, or multiple **different forms⁵ of evolution** in mankind's life history and **concrete existence forms** during the same horizon of time⁶. Thus, human economy has begun as a work economy upon a primary (primitive) stage, meaning the **first wave (stage)**, it continued with the second stage of work economy, upon slavery conditions, meaning the **second wave (stage)**, and then it underwent the feudal work economy, meaning the **third wave (stage)**, whilst at the present moment mankind faces the work economy upon freedom and non-freedom conditions (capitalism - communism), which represents the **fourth wave (stage)** of life evolution.

Obviously, each of these stages means important steps towards the freedom of choice in life and towards ensuring equal chances for generations that coexist and are succeeding on this earth. Any time these fundamental exigencies are breached in smaller or larger human collectivities and for a specific time period, both the need for change and opportunities for putting it into practice occur. This happened in Romania after the Second World War and until 1989, imposing the identification of evolution targets. Such has been erroneously set out as **the shift towards the market economy**, which is not entirely consistent with the logic and history of the evolution. The line of logics imposes that there should be taken into consideration the existence of centralized guided market economy, so that the target should imply the shift to the new type of market economy, namely **the performance competitive - functional market economy**.

The history of human economy stages' evolution demonstrates that between the freedom of choice in life, in business and equality of chances for succeeding generations, in certain circumstances profound contradictions can occur with implications over the compatibility of

⁵ The problem of identifying periods in the economic-social evolution represents an important concern for the economic science, and it is included in interesting opinions in the specialized literature upon various modal moments of the economic movement. Hence, see the works of the American Professor W. W. Rostow, ever since the beginning of the sixth decay of the last century regarding the theory of stage growth of the society, as well as numerous other representative specialists such as: A. Marshall, J.B. Clark, W.K. Michell, C. Menger, Leon Walras etc.

⁶ See Constantin Popescu, Dumitru Ciucur - "Stages in Human Economy" (Romanian: "Treptele economiei umane"), Editura ASE, Bucuresti, 1997, p. 6 and the following.

economic criteria, with the social and ecological ones imposed by the transition through life. Whilst the economic aspect of human action is imposed by the need for life evolution given the relative rarity of resources, the social criterion is the expression of the exigencies demanded for the coexistent and succeeding generations, and the ecologic aspect represents the major demand for the normal succession of the generations, for life on planet Earth.

The continuous deepening of gaps between world countries, in respect with ensuring equal chances for people undergoing their transition through life, in the same time with worsening the fundamental parameters for the natural environment are revealing the entrance of the fourth economy stage into a profound crisis. Such crisis is damaging the very nature of human economy.

That is why people, specialists and institutions feeling this danger are raising the issue regarding the need of reaching a new (fifth) stage in the human economy evolution. This is **the stage of sustainable economy (the fifth wave)** in respect with equal chances for the generations coexisting and succeeding on Earth.

In this stage the dynamic compatibility is pursued of four systems: economic, human, environmental and technological, such that to ensure satisfaction of the present's needs, yet without compromising the ability of future generations of satisfying their own needs. Sustainable development is defined by a **natural dimension** (in the sense that it only exists for as long as the manly created environment is compatible with the natural environment); by a **social-human dimension** (in the sense that all outputs from the manly created environment should answer directly to the present and future needs of the generations co-existing and succeeding; by a **national - state, regional and worldwide dimension** (in the sense of compatibility between the optimization criteria both within the country, and on a regional, continental or world, global level).

The transfer to the lasting, sustainable development marks mankind's entrance in the environmental (ecological) stage, in which the development risks should be strongly diminished. Also, in this stage the following problems should be solved differently: demographical, cultural, political, military. These imply a new set of values, as well as new sets of macro-economical assessment indicators.

In the specific circumstances of this stage or wave the concept of **new economy** is taking shape, as a reality of the third millennium beginning. The launching of this concept has generated serious concern for man economists, sociologists, psychologists and politicians from Europe, the USA and Asia, and both favorable opinions and nuances or even reticence occurred.

The new economy is defined as scientific knowledge based economy, with the following fundamental features: producing scientific knowledge by continuous innovation and disseminating such knowledge to all society members; using advanced knowledge in all areas, beginning with the technological and the management of human activities, concretized in a new production technical means, in educating the specialists and the entire population grounded on these knowledge, by an elevated education system and training supported by scientific innovation and creativity; the manifestation of the new economy on internationalized, continental and world integrated markets.

Unlike the traditional economy, the **new economy** is regarded as a complex, evolving and adaptive system, grounded on production neo-factors, which calls for electronic commerce and other modern tools for e-development, which puts accent on the competitive advantage, on multi-functional teams, which has as main topics disequilibrium, instability, fluctuations, chaos. It involves merger of large processes, such as: rapid technologic progress, mainly in regard to information and communication technology, speeding up of the internationalization process regarding a part of the economy and the modifications in the international financial framework. The content of the new economy tends towards a financially-monetary and currency economy.

Taking into consideration the natural limits of the Earth, as well as the possibilities provided by scientific knowledge in the Universe in which we live, it is not impossible for the

stage of lasting, sustainable economy, based on globalizing the freedom of choice and ensuring equal chances, to be gradually integrated into a "cosmolization" process. First, this would be obtained by cosmic micro-zones, and it would then unlimitedly expand in the area of possible Universe, either in the current life form or in another life form, difficult to imagine today in terms of its sense and evolution intensity. In any way, if imagination can take us tens or hundred of years ahead, as it is actually natural, such life economy could be named the **cosmic economy**, upon various extension levels. It would be based on a certain civilization, which would mean in our time's reasoning **the sixth stage (the sixth wave)** or a new type of human economy, in the sense in which we see and understand life today.

Of course, the evolution stages of the human economy known so far can be divided in a certain time horizon⁷. However, such an operation is difficult to achieve exactly in respect with the historic time, and that is why it would be better for us to consider the intensity of the process of transferring from a particular stage to another depending on its decisive variables. Thus, the human economy of the first wave lasted the longest, consequent to the low progress in man, to investments grounded exclusively on life experience and to the reduced tension between needs and resources.

Once the progresses in man integrated not only practical experience, but also science on the future, along with the occurrence of new economic and social-state factors, in the relationship with the enhancing for the tension between direct economic efficiency of the human action and the justice resulted from re-distributing such, the duration of the evolution stages of the human economy decreased. The transition period from one stage to the other depends both on becoming aware of the change, and on the political will for achieving it, on concrete opportunities, on the costs they imply and on their sustainability level⁸. The shift can be smooth, without any social convulsions, or sudden, sometimes even with social convulsions, with special and unpredictable costs and effects, because such are all dependant on man, on his training and evolution, on its psychology and morality, regardless which is his social responsibility upon a given time.

The reality of contemporary economies provides interesting signals regarding the permanent dialectic movement of the economic processes on a planetary scale, reflecting the structural convergence of the models and the joining of the relations between economy, society, politics, identities of the aggregated economic agents, pragmatic stakes, strategies and prospectus. The most sensitive issue proves to be at the present moment, and especially in perspective, that of power and spiritual-cultural and political-military decision centers, which reflect a set of interests which are continuously amplifying and diversification, depending on world's economic division or re-division, influenced by the limited nature of the resources, by their costs and by the difficulties in achieving them.

⁷ See Constantin Popescu, Dumitru Ciucur - Quoted paper, p. 7-8

⁸ Lester R. Brown (coordinator) - "Global Issues of the Economy. World Status, 1991" (Romanian: "Probleme globale ale economiei. Starea lumii, 1991"), Editura Tehnica, Bucuresti, 1994

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