
NATIONAL STATISTICAL SEMINAR „OCTAV ONICESCU”

Organized by the National Institute of Statistics, together with Romanian Statistical Society, the seminar was meant to present and launch the paper „Romania 2012 – economic situation in perpetual crisis”.

INS president, Ph.D. prof. Vergil Voineagu pointed out the valuable activity carried out by the author especially since 1998, by the elaboration of an important number of papers regarding economic situation of Romania in various stages.

The author, Ph.D. prof. Constantin Anghelache, did a wide and interesting presentation.

Points of view and opinions of the author Macro-Economic analysis up-to-date!

„Romania – the economic situation” is a work started in 1998 and has its genesis in the author’s desire to lay on the paper and immortalize the thinking concerning the social and economic evolution of Romania. There are 14 years that elapsed, materialized in 14 volumes in which, through analysis based on real official data and on the capacity to interpret the facts, there are written down topics which are significant and relevant as regards the Romania social and economic evolution only.

By the care and competence of the National Library of Romania, the works published up to date are resting in libraries of worldwide fame, most of them associated to the big universities of the world. There are few examples only, out of those where these volumes have been acknowledged as lodgers not as tenants: University of Chicago Library – USA, Bayerische Staatsbibliothek – Munchen – Germany, Harvard College Library – USA, Stanford University Library – USA, Cornell University Library – Ithaca – USA, Indiana University – Bloomington – USA, The British Library – London – Great Briatin, University of Chicago Library – Chicago – USA, University of Pittsburgh – USA, Hathitrust Digital Library – Ann Arbor – USA, Bibliotheque et Archives Nationales du Quebec – Montreal – Canada, University of Oxford – Oxford – Great Britain, University of Illinois – Urbana – USA, Library of Congress – Washington – USA, or University of California – Los Angeles – USA.

Meantime, a significant number of copies of this work, which appears yearly, is kept at the disposal of the foreigners officially assigned in

Romania or at the disposal of certain international institutions that, probably, besides the points of view expressed by the Romanian authorities as regards the social and economic situation of Romania at a certain moment, would consider as well the point of view expressed by an authorized person in the field. The book reached the fifteenth edition, therefore a round figure, tries to perceive the essential aspects of the research object, in the context of a great “turbulence” for Romania. First, by taking into account “the clumsy course” of the country through the devastating crisis. Similar to the winter arrival, the economic recession that arose since the year 2006, found up unprepared. It actually could not be otherwise, as much as from 1990 up to date, at different proportions, those entrusted with the national macroeconomic management have acted without knowledge, at the beginning, and, then partisan orientations put in practice, maybe, without discernment and national feeling.

In passing by, few examples only, which, acknowledged by the pitiless time, are enlightening us on the allegation. Thus, in 1990, by taking the social parts held by the employees in the previous regime out of the investment (production) sphere and bringing them into the consumption, the inflationist process has been launched (easily to see why and there it is no place for a pleading, as the theme is approached by this volume). It is true that the inflation acted in the old super-nationalized regime as well, in a hidden (passive) manner but in 1990 we are talking about a launching of a phenomenon that “faded” the entire national economy, without no way to come back. That money could have been used for doing something else, for instance, beginning, either timidly, the first step on the privatization process, namely transforming the “social parts” in “real equities”. This was not wanted, not possible or there was only the populism and the delusion of the poor Romanian people, which counted. The second phenomenon, noxious for an economy and society well established as well, not to mention Romania, which was fishing in troubled and deep waters, followed, namely the launching of the unemployment. Certainly, Romania had a dormant unemployment but this one should not have been drawn out “in the street” but absorbed with ability. How? By using the natural, financial and human resources of the country, namely the three determinant factors of the economic development, by a process of primary reconversion of the labor force and, let’s say, by launching of an ample process of developing the national infrastructure that yet today occupies the last place in Europe. What were we missing by the time when all the raw resources and materials belonged still to the state ownership and it was only necessary that discharger labor force from the mining and other sectors is transferred to the National Roads Administration? Such a step means “the salvation” from the negative effect of the unemployment,

exemption from the financing an negative social scourge, maintaining a large number of enterprises then, commercial companies and Autonomous Administrations now (cement, bitumen, asphalt, wooden products, reinforcing iron, machinery and equipments of profile and many others), with a sustained rhythm of activity and effects in the economic and financial efficiency in all the situations.

Even more, after 23 years, Romania would have today a perfect road infrastructure, as desired and utilized by the entire Europe. Presently, those driving towards the East Europe are somehow reluctant to use the Romanian “roads without bridges” direction. Still today, a national program including pro-active steps for the infrastructure development is yet a saving solution. The great economists consider that during a period of crisis, as it is presently the case, the less developed countries such as Romania is, can valorize the situation in order to get out from the precarious situation of certain fields. But it seems that we keep on sticking with the development of the infrastructure through the absorption of European funds only (chapter where the approached projects are insignificant and therefore the rights offered by the quality of European Union member are lost) and at prices incredible and hardly to meet in other European country. Levels of 4, 6, 8 or 12 million Euro per square kilometer of high-way are mentioned in this respect.

Then, it has been established that the Romanian industry is “a cluster of scrap” What followed? The cluster of scrap gets rusty and through the privatization process, better said the process of transferring at any unreasonable price (perhaps bearing commissions to the benefit of a number of pockets) the whole industry evaporated without being replaced with something else. What is happening today with „Oltchim” is a last cry of „despair” of the industry that reached the situation of total national bankruptcy. All the Romanian enterprises have disappeared against prices of nothing. Lost are the huge enterprises (Camioane Braşov, Tractorul Braşov, Semănătoarea, Timpuri Noi, 23August, the metallurgical and petrochemical aggregated works, furniture works etc.) and now we see that, at the table of the European co-operation, we have nothing to participate with since we lost the smallest specialization whatsoever.

In the tourism field, instead of a real sale of equities, the degradation through means of concession applied. Later on, a certain minister played a whole country the trick of tracks, tele- chairs, sport halls and gondolas that do not replace the beauty of the natural landscape, which should have been preserved and developed. The Danube Delta became a vale of tears for those who knew its real value as national patrimony. The agriculture, with its entire structure and complexity, became a hard burden for the farmer (presently the

Romanian pauperized farmer). The irrigations system has been destroyed; the system with the culture through crop rotations, chemification and mechanization is randomly applied. We went back to the “plough drawn by ox” and keep on looking up to the sky with prayers in mind to the Lord Almighty. It is true that he uses to give but certainly does not cram in. The year 2012 is the one that will make a difficult winter for the villages’ inhabitants. The crops recorded the lowest levels of the last 23 years. The agricultural costs could not be recovered and the poverty installed completely. The forests have been cleared up and pitiless exploited. Hundreds of thousands hectares of forests have been destroyed that turned the climate upside down while we keep on asking ourselves, why? All these facts have an impact on the live standard and the life quality of The Romania population. The entire social and economic evolution is underlining a collapse impossible to stop.

Nowadays we keep on philosophizing in other terms (public debt, foreign debt, arrears, taxes and duties, accessing European funds, budgetary rectifications) all of them placed into the “subsistence” scheme, without development capacity.

Let’s be serious and at least sincere to understand that those who tempt some of us are not considering the advantages for the Romanian but their own interests. The secret keeps on consisting of the national resources, as much as they remained, of the preservation of the national wealth and of the creative capability of the Romanians. This is the first pillar giving trust, even if within a small steps evolution.

A particular attention should be paid to the few national resources, apparently insignificant, but of a huge value in fact, which remained. Save them from the claws of those looking for their “privatization” (sale) for nothing, for the benefit of mean, individual or groups interests, similar to what happened to the entire industry and the national wealth of Romania.

There are submitted a number of reasons in order to let it be understood what the reader should expect to find out within this fifteenth volume. All above subjects are arising likewise from the analyzed data but gradually, in order not to frighten the reader.

The works published so far are expressing by their connection, the continuous good or bad evolution of our country economy. Even if now there is a lesser attention paid to them, mainly by those who can be identified as the makers of the “failures”, in time, these studies will be of great interest, not only in New York, Munchen, London, Quebec, Oxford, Illinois, Chicago, Harvard, Stanford, Pittsburgh etc, but in Romania as well, by the time people will want to understand what happened actually to make us slip continuously towards a valley without bottom and dam.

This is what I thought as being useful to outline for the reader, with the purpose not to incite an additional interest but to prefigure the outcomes of a pertinent analysis based on doubtless data.

Those who will identify in the book content a certain structure as well as time sequences will understand that, without an explicit statement, the reader will have his own power to “share responsibilities” in a different way, with all of those who have been empowered with the management of the national economy.

There are fifteen years of research and work that passed, without putting labels, however without ignoring the, mostly cruel, truth of the evolution in Romania.

Not with timidity but with attention and concern, it has been suggested what should have been or must be done in order to turn the devastating course of the social and economic evolution.

The fifteen volumes, produced and put on the market, will be an evidence when “the history”, if nobody else dares, will judge why Romania has evolved this way and why we reached this situation!

The volume „Romania 2012 – Economical situation in perpetual crisis” analyzes evolution of the economical situation of Romania during until June 2012, that has depreciated on the background of deepening of the economical-financial crisis on global plan, with devastating effects in our country too. The author has suggested, very clearly, even since the 2006 issue, the imminence of the violent touch of the Romanian economy by the effects of the global economic crisis, without the existence of any possibility of avoidance or diminish. Unfortunately for the status of the Romanian economy, the crisis was superimposed on a particular internal political situation (political and moral instability), that turned upside-down the entire social and economical evolution. As from the year 2008, when the first signs of Romania’s entry into the economic recession occurred, the author tried, without success, to identify a plan of anti-crisis measures, has attempted to quantify the effects of the government programs based on pro-active steps, especially during the period 2009-2012, but instead of getting enlightened he become more skeptical in respect of the possibility to identify a Romanian strategy meant to stop the very violent effects of the crisis and to allow the way out of this decay, which grinds, without pauses, the Romanian economy, already morally fatigued by the macro-economical dis-equilibrium. There is nothing to do, but to ascertain that since May 2012, USL attempts to enforce some corrections, without being able to put into action a complete measures plan. Maybe on the occasion of December 2012 elections, we would identify a realistic problem that could be put into practice. It has been appreciated of 2009, as

“the year which definitely cannot repeat itself”. This appreciation took into account the cost of a presidential campaign without precedent, during which, to achieve the desired purpose, growths in retirement allowances and salaries were made lawful, without economic-financial base, while investments were almost 100% cancelled. This new state of affairs has shaken the political scene and fuelled the style of “governing without programme” and budgetary adjustment depending on “small interests” not on the need to stop, as much as possible, the crisis effects. The main feature of the period 2009-2012, within the economic and financial strategy, consists of “the seeming confusion” superposed to “the hidden group interests”. The author never ceased to militate for the need to take proactive measures, that certainly will draw us away from the crisis or at least will attenuate the devastating effects of the global crisis. In the last volume of this book, “Romania 2011. Economic status under the crisis masticator”, a number of proactive measures have been simulated, trying, by forecast analysis, to outline some social-economical effects for Romania. The actual internal strategy is supervised by the financial organisms that monitor the compliance with the agreements. In this respect, there are few chances to exit the “blueprint” and the work of any government becomes even more difficult. We retain, from those exposed repeatedly by the representatives of the International Monetary Fund, that Romania has to solve two quantitative-qualitative issues. It means the quality infrastructure, including here anything that falls under that category. Also, the quality of the labor force, that must become competitive on European and global plan, must be an absolute priority. The two elements, in quantitative-qualitative evolution, would lead to the access to European funds, that we “ignore” because incapacity of action or “disregard” because lack of thinking currently at the real perspective and would attract direct foreign investments. The IMF representative, and likewise think other foreign representatives, with valences and knowledge in economics or finance, has also signaled that Romanian law is not “coherent and stable”, and, on this background, there is a certain retention of the foreign investors. These aspects clarify on the fact that Romania’s problems are known and discussed at the levels that must be responsible, and on this background, further perplexity appears concerning the lack of strong measures. A number of world-renowned economists appreciate that “the present economic-financial crisis period should be used to solve a series of development issues.”. This way, at reduced costs, by accessing European funds and foreign entrepreneurship, achieved by international auctions, we would have succeeded a lot in road infrastructure. The privatization of the state enterprises and administrations meant “the sacking” of the state and not the efficiency of the respective domains. In this respect, more are to be said, and the reader will find sufficient references

within the book. The book will show blank the Romanian deviations and will not attempt to establish the reasons, but will be a continuous alarm signal, that will weak and sensitize the ones that carry the responsibility to the situation that has been reached. Without a strong conviction, based on the internal status (maybe only the serenity that we have surpassed the electoral steamroller) but arguing through the development of the crisis in its countries of origin, it can be stated that Romania will remain under the deep effect of the crisis until 2015, after that the a slight inversion of the evolution trend may begin. This will depend also on the closure of the budgetary execution for 2012, the coherence of the budgetary forecast for 2013/2014 and mostly on process of bringing together the state powers within the framework of the necessary and worthwhile correlation. Perhaps the elections on December 9th are to establish another coalition which will impose co/habitation or exclude it without effects for Romania.

Within the previous volume was forecasted the possibility for 2012, believing that a minimum of pro-active steps, meant to lead to incomes acquiring as well (generating new jobs, collecting income, fighting the corruption, letting a high percentage of the „un-seen economy” be brought up to daylight) would be taken over. It has been failed to intuit that the practice to be established would actually consist of the „scalpel” for the “non-aesthetic surgery” of the economy (see the consolidated budget). The few social reparatory measures attempted since May 2012 are not solid enough.

Romania will need at least seven-eight years, or more, to reach, in real terms, at the economic level and results achieved in December 2007. An analysis on this idea is easy to make, by taking into account the reduction of economic growth, year by year, after 2007, recording in June 2012 almost -18% (in nominal terms) and other -15/-16% decreases in real terms, after de-inflation. Thus, and on a moderation background of the “economic downfall” and maintenance of the macro-economical equilibrium, the recovery will not be realized only by reversing the trend, but also by applying a vigorous strategy that includes complex substantiate measures.

In the above presented, there were not considered the especially serious effects that can flow on the financial-economic situation, following the evolutions of the European Union, especially of the “euro zone” countries, or on wider, global, plan. Greece, Italy, Portugal, Spain, Ireland, and more recently Sweden is discussed about, have serious financial difficulties, that, not properly handled, can induce serious effects on the euro. Being in the neighborhood or in union with the mentioned countries, proper attention should be given to the risks to enter in the merciless masticator of crisis effects. This book is published at a moment which marks over five years gap as from

the consecration of the adhesion to the European Union and underlines the unconvincing way in which Romania valorized certain positive elements granted by the new position, as a communitarian country, as well as the difficulties to face in order to overpass the welter of the lining up with and enforcing the new standards.

Getting access to the communitarian non-refunding funds has been achieved at an extremely low level. Under the circumstances, if we shall compare the Romania contribution to the forming of the European communitarian funds with the total amount of the sums being accessed by our country, we shall face the undesired paradox consisting on the fact that „we are a contributing country instead of being a beneficiary one”.

The loans contracted in 2010 with the International Monetary Fund, the World Bank and the European Union, which have been not directed to investment and dynamizing the economy re-launching, would become a „heavy stone” stacked to the foot (if not saying the neck) of Romania. From 2012 onwards, we start thinking about the effects of reimbursement of the loan quotas, agreed upon with the creditors.

The oscillatory evolution of the GDP in 2011-2012 as well, the alarming budgetary deficit, the inflation rate gallop, the unemployment, the diminished number of the employed persons down to about 4,115 million, the increase of the number of retired persons up to some 5,596 million, the accumulation of a foreign debt of over 98 billion euro, the foreign trade balance deficit, the adverse collection of the budgetary income, the virulence of the „un-seen economy”, all these are so many „explanations” for the unprecedented erosion of the life standard as well as basic arguments for a concrete program aiming the start of the economic straightening out.

All these aspects are approached and underlined by reference figures between the covers of this book.

The previous editions included an ample chapter dedicated to the requirements implied by both the adhesion and the further integration process, emphasizing since that time the fact that the route to follow will be difficult, hard. We have to keep on watching what is going to happen in order to be in the position to compare what will actually be achieved with the predictions made many years ago.

The issue of this new work in the frame of the said series is influenced also by the political ambiguity which characterized the internal situation in Romania during the last two years. Unfortunately, under the “specific” circumstances of a too much electoral period it was not possible or, at least, the author faced “difficulties” as to identify a coherent post-adhesion program of measures. We appreciate that too much time has already been spent but

let's the time, as judge, to comment from now on. Actually, it is not required to be a subtle prophet to suggest that there is a period of great pains to follow, from which there are hardly doubtless achievements to get birth, so that we have to keep on double-crossing ourselves with illusions....

This work undertakes – and it manages – to achieve a detailed analysis, comprehensive and by sectors meantime, of the economic development during the period January 2010 – June 2012, but in comparison with other significant periods as well, without targeting categorical assessments, which are the privilege of the interpretation liberty of the reader.

It is compulsory that this fifteenth book proceeds to a comparative, tri-dimensional analysis, i.e.: first, the present economic and social situation by comparison with the late system; second, the analysis and interpretation of the date all over the period since 1990 up to date; third, the evaluation of the results acquired during the period January 2010 – June 2012.

First of all, it has been tried an answer a question which is not at all rhetoric, namely: why, it was analyzed, in this volume, a larger period of time, i.e. January 1st, 2010 – June 2012?

The answer to this question proves to be quite complex but as a synthesis, it should consist of the following points:

- “the situation of the dynamic political instability” which characterized the entire analyzed period, given by the certain parliament majority of the governing coalition, background that makes hard to identify any successful measure of the opposition;

- The impossibility to identify a complex program of anti-crisis measures including pro-active steps as well;

- The difficulty and impossibility to clarify the effects of the financial crisis, suggested already back in 2006 (see the previous volumes) on the European complex, in general terms, as well as on Romania, particularly;

- The lack of arguments to explain “the contradiction between the good economic outcomes being achieved in 2007-2008 period, when the USA was already facing some effects of the economic-financial crisis and the disaster occurred after January 2009 until present. This situation cannot be explained by “the functioning of the market economy in time of crisis” only if considering that the USA are bringing back in discussion “the role played by the interventionist State” (I am referring here to the process of nationalization in the banking domain, meant to put a break, at least, to the financial crisis).

Based on such an analysis, it was desired to identify and to suggest the trend of the future development of the socio-economic system from Romania.

Within the chapters of the book, it was insisted on the analysis of antithesis between the actual results in the field of the economic and social

activity, on one hand, and those recorded for the previous periods, on the other hand, comparative analysis of the results as recorded in the field of the legislation in respect of the harmonization process but also in respect of enforcing the legislation in our country.

At this point, there is no exaggeration to conclude that the role of the legislative power has been reduced to risky limits, the governing being achieved through “ordinances and assuming responsibility...”. Considering this background, the credibility, mainly the external one, has been ruined, inducing a negative effect on the foreign capitals which, lacking “color and smell” but aiming rewarding criteria only, are actually avoiding Romania.

The reader will find in this issue a series of data, that, by sometimes abstracting the tone or putting adjectives on some ascertainments, will transform in a good manual for the understanding of the evolution of the Romanian economy, as a whole (or its principal domains), from 1990 until today.

The structure of the books involves 19 chapters (a synthesis translated in English is added to those chapters), which should emphasize as well the trend of the forthcoming economic evolutions, since purely and simply, it does not exist within a coherent program of measures. The first chapter is focusing on the analysis of the way the main priorities for the period 2011-2012, out of the government program have been approached and, in principle, sorted out, on the background of the evolutions put into effect by the economical and financial crisis.

In the second chapter we are presenting the development recorded by the national economy within the period starting in January 1997 / ending November 2000, pointing out those elements which are the defining features of the complex and sequential development as recorded during another period of political instability, when the country has been run by three Premiers.

The third chapter is a synthesis of the actual results achieved during period 2001-2004, a distinct one, perhaps playing the role of stimulus to a bit of consideration for all those who then alternated to the country governing.

In chapter four I proceeded to the analysis of the data recorded by Romania during the period 2000-2012, respectively over a longer segment of time characterized by different political factor prompting to opinions, points of view based on comparative data. It was not followed that the analysis on this time interval to lead towards responsibilities, but if the readers are tempted, they have the possibility to do it.

The fifth chapter is presenting, in a complex manner, the aspects which are characterizing the “economic situation of Romania during the over twenty-three years of free market”.

Then, there are the chapters of the analysis covering the development

of the main branches (sectors) of the national economy, being considered essential for the macroeconomic evolution, such as industry, agriculture, foreign trade, constructions, transports, services and tourism etc.

Other chapters of this analysis underline a number of aspects connected to the Gross Domestic Product, the rating granted to Romania or the human potential of our country, marking with accents the analysis of the situation for certain social categories such as the retired persons and the unemployed persons.

These chapters make a deeper analysis regarding the evolution all over the twenty-three years, emphasizing the developments recorded within the period 2011-2012.

Such a presentation, as a structure of the defining elements is compulsory as it offers the possibility to analyze and complex data interpretations.

The final part of this work includes, instead of appendices, a large chapter concerning the post-adhesion program, hopefully understandable for everybody, adjusted to the level of development in 2012.

The Reader will have the curiosity and maybe the pleasure to discover within this book, those defining elements which sometimes he presumed, maybe even knew but which he meets now more clearly stated out, I hope.

I do seriously consider the fact that the period 2008-2012 has been a “period of major convulsions, negatively influenced by the political factor also, a factor being in continuous instability” with all the consequences arising out of this context.

During 2012, we contemplate the “even more disastrous effects” of the financial crisis on Romania, on the background of the incapacity of the government management to control and take measures for the macro-economical stabilization (it was the year when three government teams came at the helm, the last being unable to benefit from the necessary cohabitation) .

It might be not out of question that, in case the effects of the financial crisis on Romania will leave deep traces to see steps and actions similar to those taken by the USA, or some European countries within the Euro area, in the frame of the autochthonous banking system as well. If so, it will be quite annoying but, meantime, it will confirm the evaluations presented, with tenacity and perseverance, in the frame of the previous five issues.

There would be much more to say in respect of the content of this book, submitted to the reader’s examination with the hope that he will certainly find out interesting aspects, he will agree with certain points of view or he will disagree with some of the opinions.

All of them have a proper support granted by the way of approaching the analysis enabling the next editions reaching an even more attractive level.

This book is addressed to the specialists, from Romania or other countries, in which the book can be already found in world-renown libraries, but also to the politicians, indigenous or from Brussels, who may find out here a lot of data and estimations meant to help them to more profound analysis, by segments of activities, by factors, by their specific fields of interest.

PhD Professor Constantin Anghelache,
Vice-president of Ager
Vice-president of the Romanian Statistical Society

Later on, within the seminar, debates were run by Ilie Dumitrescu, - director who addressed congratulations to the author for the 15 th volume launched which is considered exception paper in the field, remarking the critical analysis of the situation on the recession and crisis period in Romania.

The following persons have intervened: N.Costache, Marin Stanica, Ion Ravar, Cornelia Rotaru, Marius Bacescu, Ioan Galceava and Ilie Dumitrescu with positive appreciations and comments, regarding the whole series of volumes elaborated by the author since 1998, printed by the welknown Economic Publishing House. There were also formulated proposals for the elaborations of similar papers, till 2015 (for each year of 2013-2015 period).

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