

A CENTURY OF THE ROMANIAN WORLD FACE TO FACE WITH EUROPE

The existence of modern Romania does not take place far away from Western Europe, but right in its middle, however presenting a huge temporal gap. The pace and the way in which it is built, as well as its permanent need to reconstruct itself, were and still are shaded by byzantinism and sometimes overwhelmed by anachronisms.

For a long time, Romania has not been able to understand the words of Ilarie Voronca in his poem "The Aviogram" (1924): "the most beautiful poem: the fluctuation of the dollar". Often, the time of history accelerates and at the moment in which the paths of history mix, the experiences of the past seem not to have such a huge significance in portraying the future. Benjamin Fondane considers that the specificity of the Romanian culture leads to an extremely fixed idea: "the idea of our Latin origin". The political and cultural history of Romania is under the pressure of "the European needs, the first one being the need to be part of Europe". In search of these cultural foundations, Romanian leaders are often incapable of understanding and of assuming the institutional and economic basis of the West.

In order to better understand this Romania, one has to firstly evoke the history of its economic course. There was always the problem of recovering history and the effort to reach that harmonious balance between its geography and culture, on the one side, and the cultural and especially economic outline of the European continent, on the other side.

In this last century, there were moments in which all efforts, fairness, honesty and faith seemed worthless. However, Romania never stopped dreaming, learning and acting, basically living its destiny with an admirable strength.

Sometimes, risk and danger were the only solutions for this faith. But Romania knows how to survive. We may refer to *the Romanian miracle*

from the title of a work belonging to the historian Gheorghe Brătianu. Since Duroselle said that all empires are doomed to perish, we may also say with a higher degree of certainty that all small states share this destiny.

The loos of the image of the past, be it glorious, represents a destiny that universal history has fully recorded. Romania has never been in such a situation. The restart of the course of a productive normality is certainly possible, if we know how to make use of the salvation strategies carefully preserved in the collective memory. But this is not enough. Moreover, we need to implement a spirit, intelligence and a discipline of renewal. Since the entire Romanian history clearly proves how difficult it is to correct hazard if it is hostile, I chose to make a presentation of the evolution of my country using the most trustworthy statistics. It is a painting of the cold realities, meaning of the economic and social development indexes. From this point of view, the last hundred years can be divided into three periods: 1918-1945, 1945-1989, 1989-2018. Especially in the first, but also in the third, we notice how the lack of political coherence and the firm commitment to reform prevented a rapid convergence with the West, meaning a fast reduction of the existing differences between Romanian and the average of Western Europe (a convergence that would otherwise have been possible, in the situation of a coherent political mobilisation). Anyway, this gap was significant, Romania stemming from a peripheral past, both from a geographical and civilizational point of view. Reform during that time was slow and subjected to various pressures. There are, of course, significant spirits and authentic patriots, but there is no authentic political class able to unite itself in order to quickly modernize the country. Between these two periods, there is a communist parenthesis, dominated by a massive development effort, with spectacular results in

the fields of education, culture and industry, which was also subjected to a dogmatic and oppressive ideological order, most often opposed to the great movements of the Western scientific and technological progress. From an institutional point of view, the communist regime paradoxically and almost completely preserves the characteristic configuration of a European country. However, the functioning of this communist regime was connected with the ideological strategy of the single party and with the will of the dictator (even though there were of course exceptions to this rule).

Emil Cioran states that: "A future Romania [...] will have to become a south-eastern European fatality and ending its Balkanism, it has to rehabilitate this periphery. Although this political obsession persists throughout this century, it cannot be transformed into an obsession of the reform, of the struggle for a modernised Romania". In my opinion, this is what Mircea Malița proposes using the concept of stable development strategy.

How else can we define reform, if not as the active and persistent capacity of adapting to the realities of the contemporary world?

And reform is the only solid ground capable of generating the unity of the people in its own country. Reforms correct various lack of balances and inequalities, transforming and opening, at the same time, the path to the initiatives and the talents of a nation.

The image of the economic and social evolution of Romania during this century presents three major reference points: 1938, 1989 and the present day. Indeed, 1938 represented the year with the greatest economic performances of our country during the interwar period, and in the political conscience there is still the myth of the "Great Romania" associated with this period. 1989 represents the end of the communist regime established following World War II, and nowadays there is still a certain degree of nostalgia when it comes to that era of "the great communist industry", of stable jobs and the lack of unemployment. The present has to present a new democratic trajectory for a country that, for the last 30 years, has been living the experience of renaissance and of the existence of the fundamental principles of democracy. The

economic analysis and the social indexes clearly show that the situation of the average population in Romania at the end of the inter-war period was extremely difficult. The data from the 1938 table indicate a huge deficit in the human capital investment and, at the same time, a significant social polarisation of the Romanian society. It should be noticed that the average life expectancy was only 40,20 years for men and 41,40 for women, due to an infant mortality of 182,5 (children who died before the age of one per thousand live birth). This situation was even more dramatic in the European context. The density of the railways (km/1000 km² of territory) was 38,6 in comparison to 77,3 in France or 96,4 in Czechoslovakia. The national income of Romania (the equivalent of present-day GDP), in 1938, was in a ratio of 1 / 3.76 with that of France, 1 / 5.36 with that of Germany and 1 / 2.76 with that of Czechoslovakia. It is true that, between 1933-1938, the economic return on investments increased from 3,8% to 13,3% in the oil industry and from 9,7% to 18,8% in the metallurgic industry, but for the internal accumulation the most important source of economic growth was the price, tax and fee system, the main burden being supported by the local agricultural producers. In 1938, their purchase power was only 60% from that of the year 1929.

In 1938, the internal offer of agricultural products represented 41% and that of petrol products, 44%, which represented a clear disadvantage for Romania. Therefore, the average value of one ton of exported goods was 3,000 lei, whereas the average value of a ton of imported goods was 23 000 lei, 7 times higher.

The communist regime, established through force and for a long time, implemented in 1947 some politics of accelerated industrialisation and fast and stable development of education and of the health services for the entire population. In 40 years of socialism, Romania managed to make a considerable leap towards civilization.

In 1989, life expectancy reached 66,5 years for men and 72,4 years for women and infantile mortality decreased to 26,9. School population in the academic year 1988/1989 was 24% of the total population, whereas in 1938/1938 it was only 12%. In 1988, there was a doctor at 472 inhabitants in comparison to one at 313 in France

or one at 370 in Germany. The number of libraries increased from 3100 in 1939 to 21400 in 1988, but in 1989, the economic reality of Romania was dramatic. The absolute leadership and the often aberrant decisions, especially during the "dark period" of the '80s, led to a profound crisis – in fact, an explosive phase of the system of the command economy, meaning an almost completely centralised economy.

Paul Krugman, winner of the Noble Prize for economy stated that "productivity means almost everything". Indeed, the average value generated by an economy during a labour hour represents a good indicator of the health of that particular economy. In 1988, in Romania, the social productivity of labour was five times lower than that of Western Europe. What is worse is that it was half of that of the Soviet Union! This situation applies to another index: the consumption of energy in order to produce 1 dollar of GDP was, in 1988, 4.1 times higher than the European average and 10 times higher than that of France! The technological level of the industry and of agriculture fell behind the one from the West, and starting with 1979, no effort has been done to adapt to the new technologies brought by the great progress of the industrial revolution and, subsequently, of the information technology. Basically, Romania's economy continues to survive on the basis of the raw materials (gases, iron ore, oil, coke) provided by the Soviet Union at much lower prices than those of the free market. Ceaușescu had become an absolute dictator and, without facing any clear opposition regarding his megalomaniac projects, decided to build the Danube – Black Sea, the Danube – Bucharest channels and the People's House, gigantic projects which were mostly useless. He therefore pushed Romania towards autarky in complete contradiction with the European and global tendencies.

In agriculture, despite Ceaușescu's expectations regarding the agrarian revolution, the situation was disastrous. In 1985 and 1986, there were over 1,4 million tractors in Western Germany and over 1,5 million in France. In Romania, an agrarian country, the number of tractors decreased from 185 000 in 1985 to 152 000 in 1989. And for good reason! The internal production of tractors, highly requested for

export, was of only 17 000 in comparison to 76 500 in 1984. What was the point of the yearly and 5 years' plans, the well-known advantages of the Romanian socialist economy?

When I become Prime Minister in December 1989, I rapidly noticed that the reality was worse than what I had known about the economy from my field activity in the mining industry, the irrigation system and the energetic system. I understood that 75% of the products developed by the Romanian industry were not rentable at the price of the market, production cost being higher, or at least, equal to the market value. An enormous production volume (refining petroleum products, coal, non-ferrous metals) was subsidised, and the internal debts accumulated in the public debt amounted to 10 billion dollars for the 1982-1988 period and to 4 billion only for the year 1989.

If, as I presented before, in 1938, the GDP of Romania was in a ratio of 1 / 5,36 with that of Germany and of 1 / 3,76 with that of France, in 1988, the same differences were double or even triple. This mostly negative image should not make us ignore or forget the positive result owed to the absolutely remarkable efforts in the field of education and teaching (engineering, architecture, foreign languages and fundamental sciences). Indeed, after the 40 years of socialism, the Romanian people gained some high quality scientific and technical *know-how*, *absolutely comparable with the European one, and a state of the art industrial capacity in fields such as fine mechanics, the construction of very large energetic equipment (turbogenerators, hydraulic and thermal turbines, engines for large tonnage vessels), the industry of special steels and the large castings industry. After 1989, the required structural reform of the economy started from this huge human and industrial potential, but it became entangled in the harsh, sometimes violent, political conflicts and the new political class did not manage to preserve, much less improve, the teaching system. In 1989, one in three children of workers (industrial or agricultural) had access to high-school teaching and one in seven to university teaching. Today, these figures decreased to 1 in 6, respectively 1 in 20.*

The post-communist period triggered by the Romanian Revolution from December 1989 begins with a very precarious situation, as I have proved

here. The popular riot against Ceaușescu's regime represented an inevitable result of this economic situation. I began my period as Prime Minister during an extremely complex and difficult period. The enthusiasm of the people generated by Ceaușescu's disappearance and of his regime was naturally accompanied by high expectations. A radical change was required and, at the same time, life quality had to improve very fast. However, on the other hand, the processes of political, economic and social transformation had to begin. This task belonged to my government. But today, I can say, that in my conception this transformation was very clear. Decree-Law 54 from March 1990 opened the path for the private initiative. Shortly afterwards, tens of thousands of small businesses were born, and the economic picture of the country evolved towards market normality. In May 1990 the National Institute for Economic Research was finalised, under the management of the academician T. Postolache. I had initiated the "The strategy of implementing market economy in Romania" on January 6, only 10 days after my appointment as Prime Minister.

I presented the great structural reform in front of the Parliament at the end of June, in order to obtain the vote of trust. To the huge surprise of everybody, the vote was unanimously (with only a few abstentions), although we were only two weeks away from the mine that threw the country into a painful political conflict

My government managed in 15 months to obtain the adoption of all the main laws of the reform, but it ended up by being taken down (according to the analysis of various historians) by a coup executed with the help of a new brutal and violent mine. Throughout the 15 months, the political life was a permanent and ruthless fight between the reformists and the old communists who wanted to preserve power and to slow down the reform.

Therefore, following the dismiss of Roman's government, Romania entered for more than four years on a path contrary to that of Poland, Czechoslovakia and Hungary, reintroducing the mechanisms for subsidizing businesses. The result was an accumulation of debts which later on led to the bankruptcy of Bancorex, the most important Romanian bank and of the

Agricultural Bank. The two banks disappeared in 1998.

After the political change, following the 1996 elections, the reform was restarted, but this time under much more difficult conditions than those from 1990. The great privatisation of state companies began in 1998, under a weak legislative background, with insufficient and often confuse laws. Most privatisations were incapable of offering viable solutions for the numerous companies which were close to disband and in reality, they only represented some liquidation operations in the context of the savage capitalism. According to Keynes, the ratio between the gross annual product of labour and the mass of capital goods is between 1/3 and 1/4. During the privatisation period in Romania, starting with 1998, and even today this ration was estimated in the so-called official analysis at less than 1/3. In reality, the declared value of the patrimony of the companies offered to privatisation was highly sub-evaluated, and Keynes's ration was in fact 1/5 or even 1/6.

In other words, capitalism is consolidated on the basis of a lie, in our case, of a massive sub-evaluation of the patrimony. The result was not the modernisation and the relaunching of production, at least not in the case of some of the business, but the devaluation and liquidation. As Fernand Braudel said, capitalism could not triumph unless it strongly identified itself with the state. As prime minister, I managed to reach agreements with important western companies, such as Mercedes (for the privatisation of the companies that build trucks and buses), FIAT (for tractors) or Siemens (for electric locomotives). No Romanian company from these sectors does no longer exist today. The "big problem", as Fernand Braudel said, was represented by the national markets and the national economies. The following definition seems the most precise: "A national economy represents a political space transformed by the stat - in the virtue of the necessities and innovations of material life - in a unified and coherent economic space, whose activities can be achieved together in the same direction". We never managed to install such a framework for the Romanian economy.

Under the double strong impulse of the Romanian people who requested the quick

integration of Romania into Europe and that of the European Union which opened its borders for accession in December 1999, starting with 2007, the Romanian economy headed firmly, with ups and downs, towards European normality.

The most recent statistics present a remarkable and undisputable progress. If we take the 1999 GDP (100%) as example, we notice the following comparative table for the year 2018:

- Germany - 130 %
- France - 125%
- Spain - 106%
- Italy - 100%
- Romania - 600%

In Romania, the GDP per capita at purchasing power parity was, in 1990, 3,900 dollars and, in 2018, 27 200 dollars, meaning seven times higher! The export of industrial products in 1988 reached a maximum of 33% out of the total exports; in 2018 it reached 58%. In 2018 the value of IT and software products exports exceeded 4 billion Euros, being achieved by 100 000 workers in the field. Agriculture made a major leap, with exports of agricultural products worth of 3.7 billion Euros. Finally, the stock (accumulation) of direct foreign investments amounted to 94 billion Euros in 2018.

Despite all this, Romania's economy does not yet reach the level of present-day exigencies. Romania's governments, especially those after 2001, are not preoccupied with the situation of the autochthonous productive sector, and the politics which refer to the offer are completely neglected. The commercial deficit increases every year. This was 15 billion in 2018 and the forecast for 2019 is 17 billion. The absolutely necessary structural reforms are postponed every year. The real "true problem" of Romania consists of its political incapability of uniting the wills for a common purpose.

Clientelism predominates as a current norm in politics as well as its double result: incompetence and negligence. Romania's long way to recover its delay towards the West is far from being over. A significant number from the 3 million Romanians working in the West, most of them representing the young and active population of Romania, would like to come back and live in their own country. But for now, things are the other way around. Romania's youngsters think they have better chances abroad, regardless of the country they choose to go to, than in their own country.

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Prime-Minister of Romania (1989-1991)