

Why Does Romania Need Two Decades of Transition?

■

Ion Pohoată

Ph.D. Professor

University „Al. I. Cuza”, Iași

***Abstract.** Our purpose in this article is to find new ways to explain the delays with which Romania comes today to meet the civilized world, via the European Union. We focus on two aspects, less explored until now:*

1. Romania did not have, as other countries from Central and Eastern Europe, theoretician and practicing economists, professionally well trained, to explain and support a rapid and vigorous transition.

2. The decision-makers today (as those from yesterday) are more interested in the field of ideology.

Following this direction, we have tried to reveal here some new aspects which provide answers to the question addressed in the title.

Key words: transition; theoretical hybrid; enclosure; mechanism; trap; market economy.

■

Authorized voices claim that while in the 90's Romania as well as other European countries (the Czech Republic, Poland, Hungary and so on) were relatively equal at the start towards a new civilization, nowadays Romania is delayed with at least 10 years. Having our restraints referring to the possibility of the exact control of such delays we are still certain that they exist and they are huge/big. We are very concerned about this subject maintaining the idea that diverse circumstances could have caused the loss of rhythm. Anyway, Romania's starting chances existed and it had many advantages compared to other countries. We can

underline at least two chances which are worth being presented.

The first one, in 1990, Romania set out on a new way without external debts. This was a great advantage in comparison with Poland or Hungary.

The second one, as soon as the revolution left a totalitarian political system behind, an extremely emulative environment was created. The enthusiastic wave and the desire for a change after this event led all the people to a maximum transforming effort.

Still, all these advantages were not sufficiently exploited in order to enhance progress and to move

forward. These problems have been approached and analyzed by a rich literature of the Romanian socio-economic transition while the obtained results on this direction are very modest⁽¹⁾. Trying to stop giving general explanations concerning the delays with which Romania comes today to meet the civilized world, via the European Union, we focus on two aspects, less discussed until now:

A. Romania did not have, as other countries from Central and Eastern Europe (Poland, Hungary, the Czech Republic and even Yugoslavia), theoreticians and practicing economists professionally well-trained to explain and support a rapid and vigorous transition.

The explanation, official or not, for this situation, is only a single one: the dictatorship in Romania was more oppressing with every initiative than in other ex-socialist countries. It is generally acknowledged the fact that the theorization of the economic science and of its conceptual system, its placing totally in the rearguard of the ex-party politics, to which it was added the complete isolation regarding the world of ideas beyond the national perimeter, made, alike, every heretic approach shaky and dangerous. There were very few exceptions, really shy which remained unnoticed. Anyway, in that period, no name of Romanian economist went out beyond the borders of our country.

Being deficient in a preparing exercise, the way it already existed in other countries⁽²⁾, the Romanian economists instantly “reformed” after the 90’s tried to explain the new economic events, to suggest tracks and macro-economic policies, starting from an original base. This way, they created a hybrid mixture which, in time, proved to be stupid and non-productive, among the progressive elements from the history of Romanian inter-war transition. This hybrid mixture was considered to be a progress in the world of ideas. Admitting the exceptions which were discussed in those years⁽³⁾ we did not read Adam Smith’s elegant, simple, apparently innocent but convincing lesson on the way one can become rich in a free economy. We did not read Karl Popper or Milton Friedman, we dug up dead ideas of some Romanian or foreign economists who, having been unsuccessful in other spaces, came in Romania to seed illusions.

The result of this damaging activity is explained through the fact that during those years the prevailing intellectual air was not a liberal one (i.e. in the noble, generous sense, open to freedom and to its adjacent values) but, on the contrary, one impregnated with planned utopian ideas which became a serious obstacle and which suffocated the rudiment on the free market. The only healthy lode was supported by the economists in Romania’s National Bank, of monetarist aspiration and vocation. But, here too, unfortunately, it was difficult to inoculate a healthy tendency of the currency and to bring the system into a normal working state. The domain offered its own show, completely new: banks deliberately bankrupted by organized corrupted groups supported by officials of the government politics and with covered debits on the way of the state budget; a monetary illusion, also, totally original: on one hand and economy in a chaotic disorder with continuous bankruptcies of hundreds of enterprises; on the other hand, opulent banks real mausoleums (whose presence was expected to support the economy) with “bankers” as money lenders who did not want to risk anything.

Instead of producing an infusion of ideas coming from Chicago, Manchester, Paris or Cambridge, we impregnated the intellectual air of the 90’s with forms whose substance the history left behind. Thus, we called for the help of the Romanian inter-war representative economist M. Manoilescu⁽⁴⁾. For a plus of reliability we asked a Romanian economist to explain us what the market economy means. He left Romania in the 40’s in order to learn the lesson of the free market in the most developed state in the whole world. We refer here to Anghel Rugina⁽⁵⁾. For more “scientific” explanations we should also mention J.M. Keynes etatism and dirigisme present in handbooks on economic theory taught in the schools of the socialist system.

The resultant of this approach was a theoretical “blind alley”.

We call it “blind alley” because *first of all*, “the Romanian miracle” will never occur by replacing the Romanian banknotes with silver money, as Mr. A. Rugina thinks. The obvious reticence regarding the foreign capital, the explicit support of a “through ourselves”

policy in a context which demanded maximum opening, the appeal to a plus of ethics on the way of “a law of social justice” and the foundation of the “Office for people complaints” (Ombudsman)⁽⁶⁾ are only some components of a philosophy and of a policy through which their author proposed “to knot the thread of the Romanian history torn in 1944” and to bring the transition period to an end. His ideas and propositions proved to be simple utopias and they did not have any audience.

Then, we call it “blind alley” because the theoretical hybrid of this period did not leave apart the ideas of Romania’s most representative inter-war economist. M. Manoilescu was the only one who, unfortunately, at least in those times, accomplished “a deep analysis in the universal economic literature”.

Through his ideas M. Manoilescu could not be assimilated to the inspiring environment of the real free world. M. Manoilescu’s ideas were considered to be the symbol of the modern thinking but we must catch everybody’s eyes that his theoretical speech is dangerously deceptive. Just because his demonstrations seem to be charmingly logical but in fact they are not. It could be splendid and lucrative if M. Manoilescu “destroying D. Ricardo’s principle of comparative costs”, imposed his won criterion of analysis which prefigures his methodological revolution which stands firm: for a country whose currency is not also a means to pay off its international duties, the problem of the trade is, first of all, a production one. It matters in what efficiency conditions one produces for the exchange “goods” to be favourable below the quantity account of included work and of the efficiency of its spending. Such a judgement principle would have placed M. Manoilescu in the gallery of those who had the synthesizing and the anticipatory force to transmit us within the years inspiring ideas. Unfortunately, M. Manoilescu was not satisfied only with this and he brought to perfection his “revolution” by analysing the “attractive” criterion of the average productivity of national work. He asserts that it is good to produce only those goods whose level of productivity is above the national average. He also

suggests that the other goods should be imported. For the first category of goods, the author considered also necessary the protection: unconditioned, non-differentiated and unlimited as level and time.

By proposing all these things, M. Manoilescu:

- *Condemned to enclosure.* The average national productivity is an interior mirror. By looking into it all the time one risks to become a narcissist. If you can notice a raise in time, it is only in relation to you. You can live the deception of some “exceptional” achievements when they are only absolute in relation to you and not to other people. What these “other people” do, might change your opinion and might reduce your enthusiasm, but the criterion do not allow you this.

Thinking in this way, the Romanians proved to be egocentric after M. Manoilescu’s time. In 1989, comparing ourselves with the others we realized that we were not the centre of the universe, the way we had believed until then. Starting from that date, the Romanian economy appeared to be like a drifted ship. Now, after 17 years, inertial, the officials talk about economic increases. They present past economic accomplishments and they are proud about them. Still, the studies show the sad reality that the macroeconomic indicators for Romania only nowadays reached the level they had in 1989.

- *M. Manoilescu proved to be the artisan of a disintegrating vision on the structure and the working mechanism of economy.* The work productivity in industry is “intrinsically” superior to the one in agriculture. Manoilescu suggested a policy which was adverse to the harmony and to the economic equilibrium mainly through the industrial development. And even if he did not explicitly say it, the orientation of Romanian economy according to his way of thinking proved to be a bad solution during the planned economy period when agriculture has paid for the artificial development of industry.

- *M. Manoilescu proved to be the advocate of a planned economy and not of a market economy.*

This results from:

a. If M. Manoilescu had read Adam Smith, instead of criticizing David Ricardo, he would have understood that productivity, its level, is not a matter of social “engineering”. It is not necessary to trace guiding lines in order to obtain a maximum of efficiency. All you have to do is to let the market do its job. Here, the logic of the exchange, derived from the natural division of work, obliges each individual to use his brains or hands to create the goods because through “a little but handy work”, on the way of exchange, as Smith claims, the individual will get many foreign goods and services. With the division of work there also comes the growth of productivity, the growth of individual and collective wealth. In order to let it happen all you need is to a market with individuals free to show interest in what they like.

b. In his texts, M. Manoilescu does not take any interest in the sales of products. He does not talk about demand and supply. He is only interested in the level of productivity.

The Romanian industry developed “multilaterally” but in a poor way. It succeeded in paying only the demand of some countries situated under the efficiency report, in the same world like ours, the third or the fourth one. That is why we did not sell our goods to well-developed countries (such as France, England, Japan, The United States of America) but to China, Syria, Libya.

It confirms our statements that the “social” industry, also developed on the pattern of Manoilescu’s thinking, inherited after 1989, is one without a competitive market, with very few chances of survival.

Thirdly, we specify that in the hybrid theoretical combination after the 90’s, so-called allergic to Marx and marxism, there also existed references to J.M. Keynes, as an authority when it comes to crises. Without taking into account Keynes’ intimate message, one of a liberal essence, as Henri Denis noticed at that time⁽⁷⁾, the economists forwarded an idea which had an ephemeral character: the rise of the role of the state. The

economists asked the state for help. But the state was mammoth, a stifling presence in the entire socio-economic body. The state itself was sick and it needed help. A state which was often identified with the government and the administration, hence the consequence with catastrophic results induced by the fact that each political change brought on a new government and, especially, a new administration, shattering every time the little continuity and stability that Romania needed badly in order to strengthen its statute and the country rating worthy of interest.

B. The ideological trap

The misshapen theoretical construction characteristic to Romania after the 90’s found, with very few exceptions, correspondent in the behaviour of those who were called to validate “the truths” within its innermost texture. The practice inspired from this theoretical mixture was not given clear contours. The impossible theoretical mixture did not provide any support to decision makers for drawing clear contours for the so-called transition. Anyway, the “average” of these visions was explained through the passing from socialism to capitalism. This was the main goal of all governments after the 90’s.

We consider that “the passage from the barracks economy to the market economy” is a more adequate formula. That is because, in our opinion, in the Romanian socio-economic field up to 1990 there were not the main elements shaping the socialism as configured by its founders, be them utopics or so-called scientific. If we imagine a society as the one configured by T. Campanella, Ch. Fourier, S. Simon, R. Owen, Th. Diamant⁽⁸⁾ (a world of perfectly free individuals, willing to prove all their physical and intellectual abilities, without any constraint and, besides, asking from the state only as much as this one can provide) or as the one of Marx and Engels (a society of workers) the result would be an “economy of the angels”, which can be traced nowhere and, of course, not in Romania. In Romania there was an economy led by the army rules, thoroughly planned, at the disposal of a party with authoritarian calling; led by an autocrat who

revealed inspiring sources, not from Marx but from the Asian variant of Stalin's Marxism.

In Marx's social channel certain elements appeared to give specificity. We think, mainly of the adjacent reflexes produced by the objective theory of value: the rules of the game with a null and void sum in which participated those who were obliged to share a "social cake" a priori and clearly determined; the idea of continuous, "objective" conflict among the participants in this process; the pre-eminence of physical work rather than the intellectual work; the secondary role of commerce; the possible a priori and analytic estimate of the overall demand and offer. These elements came only to shape. The essence sticks to the will of a totalitarian party to control absolutely the economy and the society entirely.

We insist upon the idea that, fundamentally, the defining formula for Romanian transition was not socialism-capitalism but the passing from an over centralized and bankrupt economy to a free market economy, through a radical organizational and institutional reform. *The adopted formula would have been successful if the decision makers had been either some convinced ex-Marxists or some redoubtable anti-Marxists.* But they cannot be included in one of the categories above; they were a little bit of each, in a hallucinating combination hard to be expressed by a certain ideology. Their structural hybrid is the key to understand the lack of coherence and the "originality" of Romanian transition.

We underline the facts that:

1. *The Marxism dose from their blood explains:*

- *The obsession of ghosts.* Marx was tormented by the obsession of the ghost of communism. Nowadays, Romania's decision-makers are tired because of the same ghost. If they had been born Marxists, the implementation of the free market would not have been a problem. It is said to see that in 17 years the Romanians did not make many steps towards a well-developed free market. The Romanian officials need a report regarding our system. This report, made by a paid commission of experts, was meant to condemn a system filled

with visible inner and outer traces. Unfortunately, the communism haunts us nowadays too and nobody seems to care about it.

- *The faulty comprehension of an entrepreneur nature, place and role in a market economy,* of the fact that these are few and they need to be encouraged to produce wealth, for them and for other people. In Romania many people believe anyone can be an entrepreneur. From this point of view, Romania offered a new example when the minister of economy himself guided the fired miners to use the received "compensation" in order to start their own business. The minister did not think of the fact that if those miners had an entrepreneurial vocation they would have not become miners.

We also want to add that the only theoretical progress in the subject language was the passage from *speculator* (with strong connotations of thief) to *master* whose main quality was not the one of undertaking but that of discretionary master.

- *The national obsessions and the restraint regarding the foreign capital.* The slogan "We do not sell our country" was extremely famous in Romania.
- *The misleading and damaging confusions in the theory and practice of privatization.* In Romania, the "private property of the state" finds often a preferential statute before the citizen's private property.
- *The lack of constructive, creative vocation,* and the obtaining of redistributive vocation to which it was added, through "original contributions" the destructive vocation. Through privatization, in Romania, there were many deliberate bankruptcies with the future goal to be bought very cheaply.

In this way, we can explain the reason why Romania's market is not able to register a rapid triumph over the state. The market, with its rules of the game, proves to be helpless to integrate such individuals.

2. *The weird combination between the rudiment of liberalism* with its natural corollary, individualism, and

the authoritarianism (called for a chaotic atmosphere and social disintegration) is accomplished on a background where there prevail the red colours, fact that explains:

- *The inertial, bluntly theft of the state* without the awareness of committing a theft. In Romania everybody steals, inclusively by privatization even after 17 years since the revolution.
- *“Left components” pretending to be “right” components and vice-versa, liberal openings in policies promoted by the “left” supporters.* We can synthesize and paraphrase, unfortunately, Lenin’s theory by saying that being on the left side represents the main disease of Romania’s capitalism ever since the beginning of transition.
- *The left voters’ attraction to governments,* through populist means and measures and as a “compensation”, these voters’ shown need for authoritative leaders, active players who “rationalize for themselves and only for their own understanding” all these with catastrophic consequences for the cadence/pace and the duration of a transition.

From the fight with the ghosts of the communism and the semi-opened door to the free market, there was not born a coherent project pioneer to perspectives. There appeared a mixture, called social market economy,

a formula which is accepted by some political decision-makers and it is rejected theoretically by other people, although they maintain it through their facts in their promoted populist policies. This mixture which, in some places yielded good results, for Romania nowadays, with its problems, and mainly, with its reduced degree of development, is a trap. It is a trap because through its construction, the social market economy can only be *a dead end*. One that, once reached to, you can bring about votes through redistributive measures of the obtained plus of wealth. But this plus has been obtained as A. Smith proves, by appealing to the free market.

We use this occasion to shortly underline, that the free market is the only ideology in accordance with Romanian transition and, at the same time, an efficient means to fight against communism. Even if the adhesion to the European Union is about to heal us from many “left traces” and it will engage our effort in more profitable directions, until we truly understand that the crucial problem of our times is that of the relation state-market and, hence, the necessity of an institutional reform (particularly of the State), of a new managing conception, of the total opening to external trade, of a new attitude on property and so on, all these on the background of a new dezideologization of transition in favour of its “technical nature”, we will nor manage to leave the transition behind and to catch the cadence necessary to meet the civilized world.

Notes

- ⁽¹⁾ See, for example, V. Vosgianian, *Contradicții ale tranziției la economia de piață*, Editura Expert, București, 1994; D. Dăianu, *Transformarea ca proces real*, IRLI, București, 1996; V. Pasti, *România în tranziție – căderea în viitor*, Editura Nemira, București, 1996; N.N. Constantinescu, *Învățăminte ale tranziției economice în România*, Editura Economică, București, 1997; L.L. Albu, *Tranziția economică sau tranziția științei economice?*, IRLI, Editura Expert, București, 1998; M. Iovițu, *Tranziția la economia de piață. Confruntări de idei contemporane*, Editura Economică, București, 1998; M. Georgescu, *Piața în tranziție. Tranziția în piață*, Editura Sedcom Libris, 2001; E. Dobrescu, *Tranziția în România. Abordări econometrice*, Editura Economică, București, 2003; G. Popescu, *Sensul tranziției*, Editura Economică, București, 2003 etc.
- ⁽²⁾ See, for example, the notoriety of Károly Boór (Hungary), Michal Kalecki (Poland), Edvard Kardelj (Yugoslavia), Bohumil Komenda (Czechoslovakia), János Kornai (Hungary), András Lantai (Hungary), Edmund Wnuk-Lipinski (Poland), Ota Šik (Czechoslovakia).
- ⁽³⁾ The exceptions refer to the presence in Romanian journals of that time of some ideas of liberal economists such as Jeffrey D. Sachs, David Lipton, Stanley Fischer, Joseph E. Stiglitz etc.
- ⁽⁴⁾ Economist considered not only representative for the modern Romanian economic thinking but also the only one included in the gallery of the universal economic thinking due mainly to his fundamental work, *Théorie du protectionnisme et de l'échange international*, published in Paris in 1929, which criticizes Ricardo's theory of comparative costs and which strongly influenced the economic thinking and policy in Latin America.
- ⁽⁵⁾ American economist born in Romania, famous especially through his main works, *Toward more Justice and Stability*, Massachusetts, 1967 (co-author); *American Capitalism at a Crossroads! Where Do We Go from Here?*, New York, 1976; *The Problem of Values and Value-Judgments in Science and Positive Solution*, Anglia, 1984; *Principia Oeconomica: New and Old Foundations of Economic Analysis*, California, 1986; *Toward a New Principia Politica: The Third Revolution in Political Science*, California, 1990 etc. Placed by Henri Guitton between the pioneers of the third revolution in economic science (see the appreciations made by the French economist Henri Guitton in *Le sens de la dures*, published in Paris in 1985), for his contributions to the theory of equilibrium.
- ⁽⁶⁾ See the main works of Anghel Rugina, published after 1990 in Romania: *Pricipia oeconomica*, Editura Academiei Române, București, 1993; *Teoria și practica economică în epoca de tranziție și după*, Editura Fundației România de Măine, București, 1994; *Un miracol în România este încă posibil*, *Opinia economică* no.189 /2 october 1997.
- ⁽⁷⁾ See Henri Denis, *Histoire de la pensée économique*, PUF Paris, 1972, p. 615.
- ⁽⁸⁾ A Romanian utopic socialist, who considered himself a disciple of Charles Fourier.

References

- Balcerowicz, L. (2001). *Libertate și dezvoltare. Economia pieței libere*, Editura Compania, București
- Denis, H. (1972). *Histoire de la pensée économique*, PUF, Paris
- Guitton, H. (1985). *Le Sens De La Durée*, Calmann-Lévy, Paris
- Kolodko, G. (2000). *From Shock to Therapy: The Political Economy of Post-socialist Transformation*, Oxford University Press
- Manoilescu, M. (1929). *Théorie du protectionnisme et de l'échange international*, Giard, Paris
- Pasti, V. (1996). *România în tranziție – căderea în viitor*, Editura Nemira, București
- Pohoață, I., „Argumente pentru studiul instituționalismului și reforma instituțională în România”, *Economie teoretică și aplicată*, 7, 2006, pp. 3-8
- Rugină, A. (1993). *Pricipia oeconomica*, Academia Română, București
- Rugină, A. (1994). *Teoria și practica economică în epoca de tranziție și după*, Fundația România de Mâine, București
- Rugină, A., „Un miracol în România este încă posibil”, *Opinia economică*, nr. 189, 1997
- Stiglitz, J. & Hoff, K., „After the Bing Bang? Obstacles to the Emergence of the Rule of Law in Post-Communist Societies”, *Columbia University Department Discussion Paper and NBER Working Paper 9282*, October 2002