

The study of indicators of the economic growth at the level of romanian economy

❖ STELIAN STANCU ❖ MARIA STANCU ❖
❖ MARILENA STANCU ❖ GABRIELA SAVA ❖

The aim of the paper is to study the aspects of economic growth - as development support for a country, and to present the causes which generate the cycles in the evolution of the economic growth rhythm. The theoretical analysis is supported with examples of the classic models, the data thereof being offered by the National Bank of Romania, the National Commission of Statistics, Reports of international structures concerning Romania, i.e.

Furthermore, there is an analysis of the monetary mass depending on the GDP and the interest rate as well as a description of the monetary policy the National Bank of Romania has chosen to pursue.

The new monetary policy the National Bank has adopted aims directly at inflation which implies the recognition of the importance of the inflationist phenomenon in modern economies and, implicitly, that the most efficient way for the monetary policy to sustain the general desire of a long-term economic growth is to secure price stability.

Key words: macroeconomy, macroeconomic policies, GDP, consumption, monetary mass, investments, inflationary economy

1. The economic growth

Starting with the fact that *economic* is represented by the *growth of the national revenue*, there are several variants of measuring the national revenue. Still, the most widely used variant is by means of the GDP. Hence, growth will be measured as a percentage growth of the GDP as taking into account the value of the real GDP modification is of an utmost importance.

Moreover, the economic growth follows the pattern of the economic cycle stages, that is during the expansion periods, the growth is more accelerated whereas during recession, such growth rate is slower.

On the other hand, there are multiple causes generating these cycles within the evolution of the economic growth rate, namely:

- *random shocks* - unforeseen events which occur having a major effect on the economy, such as the September 11 attack, the Iraq crises, etc., to mention only a few.

- *politically induced causes* - politicians are notorious for their opting for policies to kick-start economic growth. Ironically enough, such policies are generally adopted shortly before or even election campaigns. Such policies entail booms which force the elected government to slow down the growth rate in order to avoid high inflation.

- *imported cycles* - should the outside world develop in cycles, it affects Romania's economy accordingly.

Exports will fluctuate which

influence the aggregate demand, and consequently the economic growth.

- *expectations* - what companies expect to occur on the macroeconomic level is highly relevant. For instance, if they expect a more relaxed growth rate, they can postpone their investment plans. Should they postpone investment plans, the aggregate demand decreases affecting the economic growth rate.

Nonetheless, the effects of the economic growth are not always positive as it implies certain costs, some of which are discussed below:

- *unequal incomes* - growth distributes benefits unequally. Most often than not, it compensates the strong and offers very little to low rated entrepreneurs. This effect widens the income revenue distribution within the economy.

- *pollution* (and other negative externalities) - the race toward a high output tends to increasingly leave its marks on the environment. Hence, higher and higher levels of pollution are recorded whether in the air, water, sound, etc.

- *loss of non-renewable resources* - the higher the desire to increase production, the higher the quantities of resources used; the speed of resources use is inverse proportionally to their life.

- *loss of land* - an increased output constantly lays pressure on available land, which can gradually affect available land in rural areas.

- *changes in lifestyle* - the economic growth also lays a high pressure on

individuals, which means higher costs for family and social life.

The economic growth relies on some fundamental premises as an economy can grow only if appropriate conditions are created. The growth heavily depends on the country's resources: the higher the quantity and the quality of the resources, the more favoured the economic growth.

In this context, the sources of growth include:

- *natural resources* - a larger amount of natural resources as well as human ones, as they latter need to exploit them, can lead to the economic development;
- *capital* - more capital means more production, and more production means growth. To obtain the capital, one needs investments, mainly investments in cutting edge productive equipment;
- *saving rate* - the more is saved today, the large the available future resources.

- *technical progress* - this is probably the most obvious and largely accepted source of economic growth and is due to the fact that new technology allows for the production of an increasingly larger quantities of goods with the same resources.

2. Study of GDP evolution in Romania

In the analysis suggested, data from the Romanian Statistic Directory (in nominal value) were used for a period of ten years, from 1995 to 2004. For an efficient analysis of data at the Romanian economy level, we deduce the linear trend of consumption depending on the GDP as well as investment trend depending on the interest rate.

The next table presents a forecast of the GDP evolution over the period 2005-2025:

Figure 1

<i>Year</i>	<i>Rate of growth (%)</i>	<i>Rate of appreciation in real terms towards the euro (%)</i>	<i>GDP (billion euro)</i>
2004	7.6	8	55
2005	5.3	3	59.6
2006	5.3	3	64.7
2007	5.4	3	70.2
2008	5.6	3	76.3
2009	5.4	3	82.8

<i>Year</i>	<i>Rate of growth (%)</i>	<i>Rate of appreciation in real terms towards the euro (%)</i>	<i>GDP (billion euro)</i>
2010	5.4	3	89.9
2011	5.4	3	97.6
2012	5.4	3	106.0
2013*	5.5	0	111.8
2014	5.5	0	118.0
2015	5.5	0	124.4
2016	5.5	0	131.3
2017	5.5	0	138.5
2018	5.5	0	145.1
2019	5.6	0	154.3
2020	5.7	0	163.1
2021	5.6	0	172.3
2022	5.5	0	181.7
2023	5.4	0	191.5
2024	5.4	0	201.9
2025	5.4	0	212.8

* in the hypothesis of joining the euro area in 2013 (National Bank of Romania)

To highlight this foresight, a budgetary plan has been carried according to which:

- The growth of budgetary revenue from 30% to 40% of the GDP depends on:
 - the compensation of the reduc-

tion of tax rates by increasing the tax basis and strengthening tax collection;

- the complete removal of arrears to the Budget (some 4% of the GDP);
- at least partial taxation of some

of the workers opting to shift from self-contained farming to productive activities;

- land taxation;
- surfacing some of the underground economy (a further 4% of the GDP).

- securing an economic growth rate of over 5% per annum, for two decades;

- the increase of the absorption capacity of EU funds;

the capacity of the consolidated Budget to generate co-funding of some 1% of the GDP per annum, provided that the fiscal deficit does not exceed 3% of the GDP.

3. Analysis of money stock and monetary policies

To continue, we present an analysis of the monetary mass according to the GDP and the interest rate, and a description of the monetary policy undertaken by the National Bank of Romania (Appendix 3).

The National Bank of Romania has recently undertaken as its policy to target directly the inflation. Such policy acknowledges the significance of the inflationist phenomenon in modern economies as well the fact that price stability represents the most efficient way a monetary policy can sustain the overall desire of long-term economic growth.

The strategy of direct targeting the inflation displays the following defining features:

- undertaking unequivocally the commitment to price stability as the main

objective of the monetary policy and ranking on secondary levels the traditional objectives (economic growth, increased competitiveness abroad, covering fiscal deficits or lowering the unemployment rate);

- transparency of the monetary policy by communicating the objectives and decisions made with respect to the monetary policy to the public;

- increase of the Central Bank responsibility by meeting the inflation target;

- dependency on the on time provision of a full set of data concerning variables relevant to all four macro-economic blocks (real, monetary, fiscal, extern).

The inflation-targeting regime allows the monetary policy to focus on aspects of the domestic financial environment and a better response to shocks in the national economy. The money - inflation relationship is not the defining element of the strategy, but it stands for a favourable condition to determine appropriately the instruments the monetary body opts for.

The current strategy of the Central Bank includes elements such as:

- disinflation-centeredness;
- exchange rate flexibility;
- the significant role of the monetary aggregates which can also be found within the framework of the direct targeting of inflation.

Moreover, while assimilating some elements of targeting the inflation in the monetary strategy, the Central Bank has

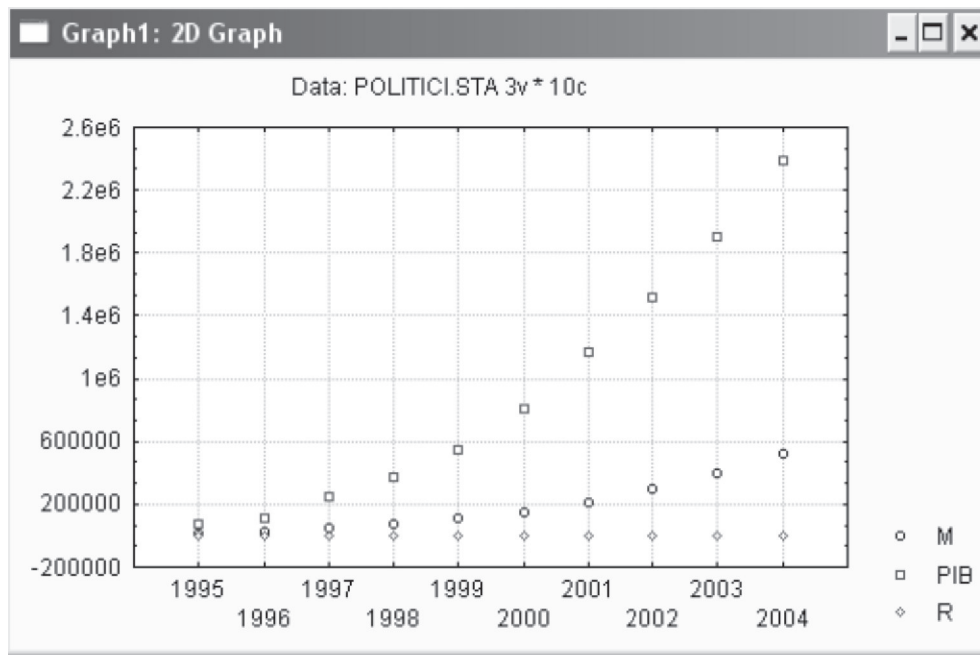
to initiate legal measures necessary to formally adopt the new regime.

It is also imperative to make some decisions with concern to price index as basis for determining the inflation target. Within the monetary strategy analysed in this paper, an essential role is played by

inflation foresights, generally conducted by means of econometric models.


The following figure presents the evolution of the monetary mass, the GDP, and the interest rate over the last decade.

Figure 1



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Another globalization

❖ ION BUCUR ❖

Finding the anachronisms and the failures of the present globalization, as well as the vitiated system of world-wide government, has stimulated the debates regarding the identification of a more equitable form of globalization to favor the acceleration of the economic increase and the reduction of poverty.

The deficiency of the present international economic institutions, especially the lack of transparency and democratic responsibility, claims back with acuteness the reformation of the architecture of the international institutional system and the promotion of those economical policies which must ensure the stability world-wide economy and the amelioration of the international equity.

Key words: world-wide government, the market failures, market fanaticism, macro stability, emergent economies, durable development, social and solid economy.

Arguments

The intensifying of the globalization phenomenon and the emphasizing of the interdependencies claims the necessity of a powerful collective action and of mechanisms adequate for taking decisions.

In the last decades, a decisional and international public policy mechanism

has developed and it has been named as “world-wide government without a world-wide government”. This system includes various international treaties regarding the decisional procedures, an international juridical environment, some international institutions (F.M.I., B.M., O.M.C.), which issues essential world-wide economical decisions.

The globalization represents the ground on which some of the major conflicts of the society are being disputed – some of the conflicts are based on fundamental values, like the role of the state and of the market.

The concerns regarding the reappraisal of the theoretical and ideological foundations of the present globalization and also the functioning mechanisms are based on solid arguments. The economical globalization has outrun the political one, and the defiance and failures of the present globalization is seriously damaging the political and economical stabilization of the world. The problems specific to the world-wide government and the way in which the decisions are adopted on the international basis stand in the centre of these failures.

As a result, the reforms aim at the perspectives of a globalization benefic to the main majority of the world states, hence the support for a more equitable globalization.

The globalization enforces new tasks to the state-nation, but also in a great extent the decreasing of the ability to assume them. The state's limits and efficiency are conditioned by its intermediate position among the forces of the world-wide economy and the devolution of the power policy.

One of the main, essential options with whom the societies are confronted with contains the role of the state. The economical success requires the assurance of a fair balance between the

state and market. It is obvious that this balance will modify as time goes by and it will differ from one country to another.

The problem of reorganizing the present globalization is put face to face with the debate concerning the role of the market and the development strategy formulated through the Washington Congress. Basically, the regulations of this policy are based on a theory of the market economy which implies a perfect information as well as perfect risk market, especially for all the developing economies.

It is obvious that the success of any economical theory depends on the chosen hypothesis and their level of concordance with the existent realities.

Since the '80, the researches from the economical science have emphasized the market's limits. It has been shown that uncontrolled markets do not lead by themselves to economical efficiency, and the free circulation of the capital fluxes on a short term-typical to the market fanaticism policy- generates instability and does not ensure the economic increase.

The state has a certain role in maintaining the macro-stability, but the main concern is represented by the stability of the costs in prejudice of production and unemployment.

The economical performances noted by the developing economies have led to the loss of trust in the formerly planned receipts and to the apparition of a new consensus named "The Washington post-consensus". The old agreement

is also blamed for the excessive concentration on the increasing of the gross domestic product in the detriment of other factors which were conditioning the living standard.

A profound critical analysis of the present state of globalization has been realized by the American economist J.E. Stiglitz, Nobel Prize laureate, famous theoretician and a good connoisseur of the realities of the global economy. He puts forward ample debates regarding the reorganization of the globalization, the reform of the economical policy and the reorganization of the international financial system, he suggests a equitable balance between the public sector and the private one and the promotion of a policy capable of sustaining a well-balanced economic development and the employment of the work resources. His arguments, which were presented in works with a wide international fame (*La Grande Désillusion*, Fayard, 2002; *Quand le capitalisme perd la tête*, Fayard, 2003; *Un autre monde. Contre le fanatisme du marchè*, Fayard, 2006), are substantiated on the theory and ideology which are the base for the constitution and the functioning of the international economical institutions. In a trenchant way, based on a rigorous and convincing analysis, it is admitted the fact that the economical doctrine of the I.M.F., named "market fanaticism", according to which the markets spontaneously lead to economic efficiency, is profoundly wrong.

The new reform policies whose central objective was the minimum reduction of the state's role, favoring the privatization, liberalizing the exchanges and the capital markets, have become a source of inspiration in defining and directing the development strategies in the emergent economies.

It results from analyzing their content the almost identical reproduction of the principles of the in force economical policy in the economies which are advanced and based on the belief that the laws of the economical science are universal.

Therefore the creed of the new consensus excludes the possibility of a specific analysis for the developing or transitional economies, as well as the possible influences carried on by the historical conditions, traditions or other values on the principles and economical policy instruments. The universality pretension of the vision circulated by the liberalism may be explained by the oneness of the market economy, by the non-existence of another truth than those of the law market, the quality of the market, by the natural state of society and, as a consequence, the non-existence of an alternative conception of the world.

The realities demonstrate that various countries' experiences are pretty diverse from the ensuring the freedom and the economical and political democracy point of view. On the mediate scene, significant debates have informed against "the unique thinking",

the author of the proclaiming the almighty neo-liberal paradigm which was dominating USA at the end of the last century. Basically, this represents the translation in ideological terms with universal claim of the interests of an assembly of economical forces, especially those belonging to the international capital (I.Ramonet, 1997, p.76.).

The critical attitude towards the "unique thinking" supremacy appeals to the principle according to which no ideology is final and no intellectual system may absolutely pretend to be the last stage of a process (Montbrial, 2003, p.33).

The more and more powerful disputing of the neo-liberal ideology, emphasizing the bad consequences which are possible as a result of enforcing its precepts, highlights the necessity of a new approach of the globalization, based on the durable development and which makes possible the reconciliation of the economical increase with the social cohesion and the protection of the environment.

The way in which the globalization is administrated today is incompatible with the principles of the democracy, and the critics addressed to the international economical institutions are becoming more and more virulent.

In the beginning, I.M.F. had had bigger objectives than helping the countries in recess. Through promoted policies, it had to contribute to realizing of a system of the world-wide economy

which was characterized by a large stability. The experience shows that such an objective was never achieved, instability becoming one of the major world-wide feature.

The main policy of the I.M.F. was the liberalization of the financial markets, dominated by a powerful anti-keynesistic vision which reflects the ideology according to which the markets are functioning perfectly and the state's intervention should be limited.

Traditionally, the economical policy debates of the I.M.F. have been concentrated on the inflation and to a much reduced extent on the salaries, unemployment or poverty.

The main problems which emerge from the weaknesses of the international economical institutions refer to the fact that on the other hand solutions to the market's failures on a world-wide level are not identified. There are world-wide public assets which must be produced and world-wide externalities which must be taken into consideration. On the other hand, the decisional process emphasizes the non-democratic nature and the lack of transparency in the activity of these institutions (Touffout, 2006, p.190).

On an international scale, only the Finance Ministers and the national banks governors are involved in the adopting of the decisions which aim at the world-wide financial system. Within I.M.F. USA is the only country which has veto right.

Renovating the world-wide institutional system

The rapid and profound changes which characterize the geopolitical and institutional environment claim the permanent adjustment of the new government systems to the new exigencies.

A critical analysis of the government's functioning in a world with complex interdependencies emphasizes its nonfunctional character.

The existent tension degree and the incapacity of the government's way to face the defiances of the globalization, as well as some failures registered by universal solutions represent clear proofs of the inadequate nature and of the crisis the present world-wide government is going through.

The present world-wide economical government's configuration is the result of the subsequent arrangements of the World War II and it is dominated by a paradigm centered on the international economical institutions and on the sovereignty of the national states.

The insufficiency of the contemporary economical government is generated by numerous factors and multiple causes which are manifesting in the context of the appearance of a new form of economical and social organization of the expansion of the globalized capitalism and of the present international economical order.

The supporters of the necessity of reformatting the present economical government system are also invoking legitimacy reasons, transparency and responsibility within the activity of the international economical and financial institutions. It is noticed within this context the profound legitimacy crisis of the international collective activity both on the conceiving and explaining the objectives level, and from the adjustment methods and the explaining of the decisions point of view.

The study of the international government of the institutions highlights the lack of and adequate institutional structure capable of taking over the functions yielded by the national states, as well as the institutional maladjustment to the evolutions of the economy.

The critics addressed to the institutions which are administrating the international common activities are aiming at two categories of aspects: the absence of a clearly defined mission to be the object of a large consensus, the absence of political control and of the responsibility (Tirole, 2002, p. 291).

The objective regarding the democratization of the global economical institutions must be achieved under the conditions on which upon them a reduced control of the national states is exercised, on the scale of transferring of some national adjustment competences.

Under the circumstances of transferring the competences to the

international authorities, the need for direct democratic representation is manifested more and more obviously.

The awareness of the numerous lacks of the present government system and of its incapacity of dealing with the defiances of the globalization takes urgent measures of strengthening the international government community. The reformation perspectives of the international institutions playing a central part in the government of the world-wide economy constitute a major controversial matter.

The actors specific to the globalization exercise a considerable influence upon government together with the new adjustment resorts on a world-wide level. New and important forces, as the nongovernmental organizations, express themselves progressively. Together with the public governing authorities, "private" associations and authorities appear on a global level.

The appearance of the new authorities on a world-wide scale contributes both on increasing the number and the complexity of the economical government resorts, and also on enforcing some new features on the adjustment process of the market. Simultaneously, the power and the influence exercised by the "private" authorities are increasing, under the conditions of the appearance of a new generation of collective actors. In a broad sense, the private actors are contributing to the elaboration, the legitimation, the enforcing and the controlling of the

international standards which may influence the promoted values by economical globalization.

The recent discoveries from the international institutional system domain may contribute to the identification of a more equitable form of globalization, which would allow the acceleration of the economical increase and the reduction of poverty.

The debate must not stand between anti and pro-globalization, but in adding up the international efforts in order to create a possible, necessary and inevitable new world.

Political and economical alternatives

The anachronisms of the present globalization and the vitiated global government system have multiplied and claimed the acuteness of a reform of the liberal rules of globalization. An essential problem is the pertinence and the legitimacy of the alternatives needed in order to enlighten an effective counter power, capable of supporting structural reforms.

For the time being it is considered premature to speak about a political global project.

Nevertheless, certain options of alternative political projects may be identified: a "nationalistic" pole in whose acceptance the environment offered by the national state is the only one to afford and guarantee the the expression of the democracy and the social rights. Its spreading area is large,

including countries from the North and South; a “neo-reformist” pole, with a more active presence in some Northern countries and whose priority is represented by the pleading for a global reformation of the international institutions. The supporters of this trend pronounce themselves global government and, simultaneously, they are against any extreme forms of neo-liberalism; a “radical” pole, an internationalist one which is able to recognize the domineering influence of an international institution. It is against any nationalist-protectionist and reformist answers (Aguiton, 2001, p.18).

Two large orientations are dominating as economical alternatives: the “neo-keynesism”, whose theoretical model accepts the logic of the market as a witness of the economy, but with the condition to adjust the capitalist system and to limit its perverse effects. the central idea is constituted by applying on a world-wide scale, of the keynesist

principles who are being experimented and verified on a national scale; “the post-capitalism” who is proposing a structural transformation of the capitalistic system. In their supporters' opinion, Marxists and left wing intellectuals of different orientations, the unlegitimization of the domineering logics of the capital through post capitalism is following the incapacity of the capitalistic system to face the minimal exigencies of the economy and to ensure financial security to the population.

As a result of the abuses specific to the capitalistic system, new rules of the economical game are being proposed: the replacement of the notion of profit with the one of need; the democratic control of the economical activity; the consumption as a meaning, not as an objective, and so on. Basically, it is all about the developing perspectives of the social and solid economy (O. Castel, 2002, p.194-195).

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