

The Structural Changes: A Long Run or Short Run Issue?

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Abstract. The structural changes that our country has to accomplish are in connection with the cohesion requirements of the EU and with the globalization imperatives as well. The current evolution of the economic parameters shows that, as we follow the cohesion road, the economic growth of our country does not meet in the short run the expected performance, and the authorities face the effort of harmonizing the development expectations of the Romanian people with the European unique market effects upon the national economy. Since the integration of the EU member states continues to be an undergoing process, the external pressure of some unbalances bring unexpected constrains for the raising the bid autochthonous policies. In order to carry on the targeted objective of entering the euro zone, our country will have to implement a series of economic measures which should also entail a socio-economic progress. The latest European vision upon the convergence issue, underlined by the "Treaty on Stability, Coordination and Governance in the Economic and Monetary Union", 2012, make the fiscal measures the core of the structural changes we follow, and it clarifies the negative role of any hesitation in the common integration effort of all the EU countries. Our conclusions observe that the structural changes that Romania expected in 2007, at the EU adhering moment, no longer match with the options that we have now, while the antagonism between the private and state interests generates amazing actions in the socio-economic environment.

Keywords: structural socio-economic changes, convergence, integration

INTRODUCTION

The aim of our work is to draw attention on the profound insights of the crisis effects: the long term changes appear as a result of the reallocation of the resources, during this shadow part of the economic cycle. The economic history reveals the long wave tendencies as inevitable periods of the evolution, still, the macroeconomic management of such situations uses as first intervention tools meant to control the crisis' effects the financial ones, more short time responsive. In such conditions, the job creation, which is the major source of equilibrium and prosperity in the economy, becomes a postponed issue, always the second or worse. Due to the unique European construction, Romania encounters some particular evolutions of its economy, in connection with the drastic diminishing of its population, and consequently with its future potential of growth. Our cognitive questioning would be in relation with the responsible instrumentation of the macroeconomic political, economical and legislative measures, enabling the best results of the structural changes to occur.

In order to have an idea about the structural changes of the economy, the analysis should originate in comparing the share of the main economic sectors in the gross domestic product, in its evolution, aiming in Romanian case with the harmonization of the national outcomes with the average European ones.

Data from World Bank present that, the GDP sector composition in European Union in 2010 had for agriculture 1.8% contribution in the whole GDP, for industry – 25%, and for services 73.1% contribution in the whole GDP (www.world bank.org).

For Romania, the statistics of 2011 showed for agriculture a contribution of 7.9%, for industry – 32.9%, and for services – 59.2% contribution in the whole GDP (www.en.wiki.org/list_of_countries_by_GDP_sector_composition); observing the evolution of the agriculture contribution to the formation of the total GDP, we notice that its' share is fluctuating from year to year: this was of 11.3% in 2003, 12.6% in 2004, 5.8% in 2007, 6.6% in 2008, 6.4% in 2009, 6% in 2010, 6.5 in 2011.

According to the “Romanian Agriculture Report”, 2012, during the 2007-2012 period (during the European membership of Romania), the level of this index was between 6 and 7%, while the European average was around 1.7%, but the local agriculture did not entirely satisfy the domestic demand, since we still had an agricultural trade deficit of 799 million euro in 2010 (<http://www.madr.ro/>).

But the qualitative aspects of this qualitative appreciation is far more subtle, because the effect of the structural changes can occur or not, can disperse or not into the local socio-economical organization.

On this topic, convergence connected, European institutions, such as EU Monitoring Centre of Change carries on a systematic research and release periodic publications.

In European Union, The Directorate-General for Economic and Financial Affairs, involved in policy coordination and surveillance, expresses its scientifically based decisions by using an expanded system of research, moved by various tools: macroeconomic and econometric models, business and consumer surveys, databases, and macroeconomic forecasts.

MATERIALS AND METHODS

The financial versus occupational faces of the same economy, which are the core of our debate, are grounded on the investigation of statistical official sources referring to index such as gross domestic product per sector composition, GINI, population index, used from various sources. Since the credibility of the argumentation comes first, the option was to use official, objective, valid and verifiable data sources, cited in the text: National Institute of Statistics, Official Journal of UE, EUROSTAT, World Bank; such data are of the highest access, impact and trust, and the internet has no substitute in this matter.

In order to solve the paradoxical dilemma between the social welfare and the state intervention for accomplishing it, one should push forwardness knowledge of theoretic macroeconomics into the everyday reality, and one must owe the long term perspectives of the fundamental roots of the economic concepts.

Research in economics means a life long study of the classic writings, which send us important messages, although they might seem at a superficial glance somehow infant, limited, restricted by the epoch when they were born: do not get hoaxed, go on thinking! For this purpose, the analysis of different ideas of various studies cannot be separated by the present times scientifically expressed point of view.

The contemporary economics is in need of all well known main social sciences methods, as well as in need of modern or even future technologies, algorithms and rationalizing patterns, is in need to combine the conceptual inheritance with the vanguard designs of the global surroundings; all of this, relying on the background of the accurate statistical information. For primary data collection, the observational study comes first, but the used information follows the procedure of gathering, analysing and systemising the appropriate information for the argumentation.

Apart of collecting, comparing and interpreting data or phenomena levels, economic reasoning explores the reality to create a multidimensional observation: the scientific

observational work reveals its own features and underlines those conclusions which show the better way to rearrange economy.

RESULTS AND DISCUSSIONS

In his speech about the crisis and the result of the macroeconomic intervention upon the economy, entitled “Road to Ruin? Financial Instability and the Global Economy”, 2010, Joseph Stiglitz was pointing out the fact that the current stabilization of the US economy was realized using a “massive government intervention”, and gave some examples in the sense of injecting the public money to save the former economic structures, and simultaneously to preserve as much as possible from the existing jobs and economic growth; still in spite of the huge financial support, “two million lost their homes in 2008, two million lost their homes in 2009, and we expect this year 2.5 to 3 million to lose their home, 140 banks were bankrupt last year and this year”, and other examples.

The idea of flattening critical oscillations of the macroeconomic parameters paying the price of a higher socio-economical disequilibrium clearly turns up from such discourse.

It is not only in the USA that this phenomenon occurs, and if we examine the evolution of the GINI index in Europe, and in our country as well, we find that this index is oscillating, as average, between 30 to 36, with a trend to show more poverty after 2008 (List of countries by distribution of wealth, 2000, 2011; www.photius.com).

In our country, the 2007 GINI index was at the European average level, of 31, but the latest estimations increase it to 33.2% (www.insse.ro), which is high for the EU member states.

The problem we face now seems to be how the political decedents orientate their options and financial support, towards preserving the stability or to diminish the socio-economical raising unbalances, fighting the “austerity imperatives”.

For the European Union, the situation is even more flexible than that, because of the single market situation, for goods, services and labour. In fact, the most powerful obstacles for the total freedom in the capital and goods flows remain the educational national systems and the legislative restrictions, which sometimes drag back the nations from the emancipating line that European Union recommends by its’ regulations.

Whether measures are supportive or not, the socio-economical unbalances entail profound objective changes, based on the re-allocation of the existing resources to more efficient activities, dropping out everything it is possible to give up.

Fabio Petri, in his “On the Recent Debate on Capital Theory and General Equilibrium”, 2009, allows us understand, in econometric terms, that the microeconomic options and the macroeconomic ones have a common essence, of choosing what seems to be best on the basis of the available information, and preserving prudence in the employment issue, as the entire economic construction relies on the labour originating incomes: “the inter-temporal equilibrium that might be established at date 1 on the basis of the new date-1 data will not be reached either, so the danger arises of accumulation of deviations from the original equilibrium path, deviations that can be of any magnitude in the absence of a theory of quantities and employment in disequilibrium”.

Placing the decision in the space of the maximum employment, as the sole possible solution for continuing a positive economic growth and secure a higher level of welfare for the citizens is the fundamental goal of the European Union architecture.

In this line, some concrete measures have been lately taken in the regulations field, such as the “Treaty on Stability, Coordination and Governance in the Economic and Monetary Union”, 2012 (<http://european-council.europa.eu/>) meaning to enhance the “balanced budget

rule” for each of the national financial entities, so that the European stability to be rediscovered on all the smaller areas of the European space: the general equilibrium of the European unique market to be rely composed by smaller equilibriums, geographically and structurally balanced.

This vision of administrating both larger and smaller balances might come from the scarcity reasons, imagining that solving a smaller unbalance is cheaper than a larger one: but the paradoxical effect does not delays its arrival.

To give as example the Romanian case, since the 1989 Revolution, the governors have tackled unbalances, as isolated and short time ones, such as unemployment, inflation, debt deficits. Arranging for the labour to emigrate, because of the small salaries and worse working conditions than the European average, the today Romania became smaller with at least 3 million people, during a timeframe of 10 years, without any war: from more than 21 million people, the 2011 “Population and Homes Census” showed between 18 and 19 million people remaining in Romania (see also the National Institute of Statistics publication “Romania in figures, 2012”, on www.insse.ro).

Meaning to balance the employment issue, the political decedents succeeded to decrease the fundamental resource of economic growth, labour, because we can see in the structure of emigration that most of the persons who were forced to leave the country were between 18 and 60 years old; according to National Institute of Statistics data, from 60821 Romanians who moved their permanent residence abroad in 2005-2010, 52670 persons, 86.59%, were between 18 and 60 years old. On the other hand, there are much more Romanians who work abroad, but do not meet the restrictions of establishing the permanent residence abroad (www.insse.ro).

This type of structural socio-economic change gives priority to a short run rebalance and compromise the long run goal of a higher achievement.

To this situation contributes the negative natural increase of our population, maintained as dominant since 1993, due to the low birth rate, which fluctuates on a decreasing trend.

On a larger scale all the European Union member states encounter similar long run changes, and the essence of them have been presented by “The third Demography Report of EU” (<http://ec.europa.eu/social/>).

From this document we find that the European population is getting older, because the life expectancy lasts longer every year, with an average of two or three months; Romanian case is similar, because from 4.2 million persons over 60 years old in 2008, we reached 4.4 million persons over 60 years old in 2011 (www.insse.ro). Economic growth is struggling to remain into the positive territory, as the labour resource diminishes: the employed working force was counting at October, 31, 2011, 4201200 persons, while the full-time working force was counting 3534000 persons (www.insse.ro).

Warring about more numerous ageing inhabitants, socio-economic policies are friendly to non-European emigrants, who become more numerous each year, while intra-EU mobility is augmenting.

The European integration deepens for our country the reality of being net deliverer of resources for better organized economies, and this state of facts seems to be common knowledge for historical periods of time. In this context, the Romanian economic crisis, materialized in the production decline and the financial scarcity is in connection with the population numerical decrease.

Working upon the updating of the structural changes as options between the strategy and tactics, our country aims to meet the structural expectations of the European Union membership. The alliance among the European member states proves to be an antagonist

market forces system, even if “unique”, and also a sole production mechanism, functioning with components of belonging to different countries.

The July 2012 Euro-barometer survey, shows that “the four main concerns of Europeans at national level are economic: the unemployment rate is the main cause of preoccupation (46%), followed by the economic situation, mentioned by more than a third of Europeans (35%), and then rising prices (24%). Government debt comes in fourth place, mentioned by just under one in five Europeans (19%), a long way ahead of the social and societal issues” (http://ec.europa.eu/public_opinion/).

In other words, job creation was and must remain the core preoccupation of the measures supported and financed by European Union. This is the only way people would accept to eradicate poverty and social exclusion (<http://ec.europa.eu/social/>).

CONCLUSION

Some long run issues can or cannot display their best results by focusing the financial support on the immediate measures proposed by European leaders: lowering poverty, the active inclusion of the vulnerable persons into the labour market requirements, decent housing for everybody, overcoming discrimination, to help the over-indebtedness.

This means we expect a synchronized macroeconomic European and national intervention upon the economic reality, in the direction of a large scale harmonization, by a deeper integration of the institutions and administrative “modus operandi”.

To take an example, we are here in doubt about the current contradiction between having a decent housing and the over-indebtedness, both at the individual level, as well as at the large-scale level.

For the time-being, the European Union is very much tried by the financial deficit of some of the Euro zone member states, and the main measures refer to financial aids and instruments. Among the latest legislative tools we encounter the 2011 “Regulation No. 1176/2011 of the European Parliament and of the Council on the prevention and correction of macroeconomic unbalances”, which drives us to more statistical transparency, by settling the importance of the European scoreboard in evaluating the nominal and the real convergence in euro area.

Also, the 2012 “Treaty on Stability Coordination and Governance in the Economic and Monetary Union”, is meant to expand the efficiency of the economic survey and alert in case of non acceptable gaps and unbalances (for instance. the yearly structural deficit are to expand only up to 0.5% of GDP at market prices).

Although all the countries must bring a net contribution to the EU welfare, the mechanism of euro zone re-balancing is centred on the German intervention as an anchor of stability, Germany being the central economy of the Europe ever since the beginning of the XX century.

The great economist Keynes, who attended the Versailles Conference for the post-first world war treaty, shows in his “Economic Consequences of the Peace”, 1919, after a profound study of the German statistic yearbook, that this country had important affairs and trade with all the European states: “Round Germany as a central support the rest of the European economic system grouped itself, and on the prosperity and enterprise of Germany the prosperity of the rest of the Continent mainly depended. There was no European country except those west of Germany which did not do more than a quarter of their total trade with her;... from Germany's pre-war foreign investments...., not far short of \$2,500,000,000 was invested in Russia, Austria-Hungary, Bulgaria, Romania, and Turkey”.

Today, at one century distance from that historic-economic moment, we find ourselves into the same position, of “mainly depending” on the German prosperity.

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