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The Contribution of Economics to Romania's Economic Development during the Past Decade

Ioan V. Totu
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From whatever angle one examines the contribution of economists to Romanian economic development during the past decade, the incontrovertible fact is that since the IX Congress of the Romanian Communist Party, held in 1965, a new period in the evolution of economic theory and practice has begun in our country. Its main characteristic is the creative development by the Romanian Communist Party and by its general secretary and President of the Republic, Nicolae Ceaușescu, of contemporary scientific thought concerning the building of socialism. This in turn serves to guide the creation of a modern, efficient, dynamic and harmoniously developed economy so that we can achieve the supreme objective of our society—the well-being of the entire society and the multi-faceted development of human personality.

An analysis of present-day Romanian economic thought demonstrates its originality as well as its contribution to socio-economic progress. First, let us examine Romanian economic conceptions regarding the stages of socialist construction. The first stage (1948-1965) of Romanian development consisted of the formation of the socialist economy; from 1966-1970, Romania experienced a period of consolidation of the technical-material base and of production relations. After 1970, a new stage was needed, having as its paramount objective the creation of a socialist society developed in many facets. This stage, begun in 1971, is projected to last until 1990.

The main targets of the third stage of Romanian socialist construction are:

(1) the transformation of Romania from a developing socialist country, first into a country of medium economic level, and then into the ranks of the economically most advanced countries;

(2) social homogenization, the organization of social relations on the basis of socialist ethics and equity;

(3) the improvement of scientific organization and the scientific management of all social life;

(4) the raising of the well-being of the whole society, including the level of culture and civilization, and the multilateral development of human personality.
These objectives, which have found concrete expression in the 1971-1975 and the 1976-1980 Five Year Plans, have been successfully implemented. At present, the process of Romania's entry into the ranks of medium economic level countries is being furthered by development of the 1981-1985 Five Year Plan.

The means by which Romania will achieve this goal is through the process of industrialization. The concrete historical conditions of the Romanian economy's development and the Romanian people's firm choice of socialist construction have ruled that industrialization represents, as described by Romania's President, Nicolae Ceaușescu, "the only way of liquidating economic backwardness, of making better use of natural resources, of quickly raising national wealth and the masses' standard of living, and of strengthening national independence." The problems posed by industrialization are thus most important for Romanian economic thought and practice and their solutions must involve not only specialists, but the whole population.

In our conception, industrialization does not mean merely the creation of a new branch of the national economy, but the essential formation of a new, modern, and multi-faceted economic complex in the framework of which industry, agriculture, transport and other socio-economic activities will blend harmoniously. Since Romania ranks among the top European countries in terms of per capita agricultural and arable area, we must help realize agriculture's great economic potential, now only partially utilized. Agriculture must remain one of the main branches of the national economy and, therefore, agriculture's further development must be closely correlated with industrial development. In our country, the beginnings of the industrial revolution were severely limited. It is, therefore, now necessary to achieve industrialization according to the guidelines of today's technical-scientific revolution. Our conception of creating and developing a modern and complex economy through industrialization also implies a harmonious blending of Romanian national interests with the general interests of world progress. We will strive toward elimination of economic disparities created during the course of history, increasing Romania's economic power to reach new heights of civilization based on the opportunities offered by contemporary science and engineering, and attaining extensive, varied participation in the world economic system. These will result not only in meeting, at a higher level, the country's domestic needs, but also in contributing to the practical development of international economic relations and to world economic progress.

The Romanian understanding of the nature of industrialization is based on analysis of world-wide experience, profound knowledge of contemporary relationships, and predictions about trends in economic progress. This conception also defines general laws of industrialization which form the basis for establishing economic policy appropriate to each stage. Romanian economic thought has reached the conclusion that, in view of the concrete historical conditions in which industrialization has been launched in various countries, a single model of this process does not exist in the
world. However, although industrialization is an extremely complex process, it does generate some laws that are applicable to every country. These laws include:

(1) the need to create basic industrial branches to provide material and technical support for all productive activities throughout the society. Principally, these branches consist of metallurgical, iron and steel industries, machine building industries, electrical and power industries, and chemical industries;

(2) the need to convert industry into the leading branch of the national economy and to award priority to the development of the production of the means of production as opposed to consumer goods production;

(3) the need to create and develop scientifically based industries which continuously disseminate technical progress. That is, those branches which incorporate the latest achievements in science and engineering determine essential qualitative shifts throughout both the entire industrialization mechanism and the whole material production of the country. During Romania's present stage, such branches include, for example, electronics, electrical engineering, automation, mechanics, cybernetics, computer production, and petro-chemistry;

(4) the need to increase the importance of industrial activities among the other economic branches, and to create a national industrial system.

Following these laws, an analysis of Romania's industrialization process characterizes the country's present stage of development and indicates the future directions economic progress should take. Thus, in the period before 1965, industry had already become the dominant branch in the production of social products as well as in the generation of national income. During the first stage, the structure of industrial production was radically changed. Whereas in 1948 the production of means of production accounted for 49.4% of the gross industrial output, in 1965 it had risen to 66.5%. The share of the four basic industrial branches (electrical and thermal energy, metallurgy, machine building and chemistry) rose in terms of gross industrial output from 23.8% in 1948 to approximately 50% in 1965. The economy's technical level was 2.5 times greater in 1965 than in 1948.

In addition to building a unitary socialist economy, this rate of growth during the 1948-1965 period allowed Romania to fulfill two essential industrialization laws: the formation and priority development of basic industrial branches and the transformation of industry into the leading branch of the economy.

The 1966-1970 period saw the successful achievement of the following goals: the consolidation of the technical-material base, territorial administrative reorganization, and improvement in the organization and management of the entire socio-economic life, based on a unified national
plan. Thus, only three decades after the proclamation of the Republic, Romania has emerged as an industrial-agrarian state, with a modern technical-material base, structured in accordance with the requirements of contemporary technical-scientific progress, capable further of providing dynamic, proportionate and efficient development of the whole national economy.

As an indication of the degree of success achieved by industry's rapid development, this branch's share of the national income reached approximately 61% in 1978. During the 1965-1978 period, the volume of fixed assets in the economy more than tripled. At the end of 1978, of the overall fixed assets existing in material production, approximately 60% had a length of service of fewer than six years and 27% of fewer than eleven years. Also noteworthy is the fact that in agriculture the share of fixed assets with a length of service of six years was 65%, a figure which is higher than the average for overall material production.

The priority given to the development of branches producing means of production has in turn provided the conditions for faster growth in consumer goods production. As a consequence, the growth rates of the two productive areas has continuously converged. During 1951-1965, the coefficient of the growth of the production of means of production to the growth of consumer goods production was 1.45. During 1971-1978 this coefficient was reduced to 1.23.

At the same time, dynamic macroeconomic equilibrium is sustained by the growth in industrial potential of each of the country's counties,* according to required rates. At the same time, each county's production is geared to the needs of the national unitary economic system and to the achievement of a rational, differentiated structure of material production branches. Illustrative of the success of this process is the fact that in 1978, fifteen counties each recorded an industrial output which was higher than the output of the entire country in 1938.

At Romania's present stage of economic development, the laws of industrialization which remain to be fulfilled are: the priority development of branches and sectors which disseminate technical progress, and the increase in the share of industrial activities in other branches of social production.

In order to fulfill these laws, the following industrial qualitative shifts have been conceived and will be accomplished:

* There are 39 counties (judete) in Romania, plus the municipality of the country's capital which also has the rank of a county.
(1) The creation of a sector producing means of production designed to provide the material conditions for the development of scientific research. This will allow Romanian science and engineering, in the shortest possible period of time, to hold a monopoly on new manufacturing technologies in the main sectors of contemporary technical-scientific progress. In this way Romania will achieve an increased rate of production renewal and the expansion of economic and technological exchanges with other countries.

(2) A reduction in the importance of energy intensive industrial subbranches and sectors, with a corresponding expansion of subbranches and sectors producing standardized goods based on minimal use of raw materials and energy consumption.

(3) An increase in the importance of industrial subbranches and sectors which use highly skilled labor, and a corresponding reduction in the importance of sectors with high utilization of medium-skilled labor.

As far as the reorganization of work processes in agriculture along industrial lines is concerned, the main structural shifts envisioned are:

(1) The expansion of machinery systems, electrification, mechanization and automation, so that these constitute the functional "technical skeleton" of all work processes;

(2) The concentration of production and further development of specialization and cooperation in accordance with the continuous introduction of technical progress, with a view to obtaining maximum labor efficiency;

(3) The development of processing sectors, on an industrial basis, at a faster rate than the primary activities which have traditionally characterized agriculture.

Romanian economists believe that these changes in agriculture should be viewed in their entire complexity, considering their various economic, social and political consequences. The introduction and expansion of industrial activities in the agricultural sphere should be achieved in two areas:

(1) Modernization of the technical-material base of primary activities in agriculture, especially through mechanization of all agricultural activities and an increase in the use of fertilizers and the development of irrigation systems. The main purpose of this process is to place primary agricultural activities within the scope of contemporary technical scientific progress and to obtain results commensurate with the opportunities this offers.
Increasing the share of industrial-type work processes in some agricultural branches and subbranches. In this area, the zootechnical sector, which is envisioned as developing through utilization of modern industrial systems, is assigned first priority. Furthermore, greater rates of expansion are planned in the production of fodder. This will be accomplished by establishing large and small factories in addition to state agricultural enterprises and agricultural production cooperatives. Raising crops in greenhouses based on industrial systems will also continue. In an attempt to improve utilization of existing material resources in agricultural production cooperatives and more efficient year-round employment of the work force, processing and semi-industrialized sectors will be developed for fruits, vegetables and other agricultural products.

The introduction of industrial techniques into some agricultural production activities not only foreshadows a higher stage of industrialization in our country, but also constitutes the means by which agriculture will be transformed into an economic branch integrated within a modern, efficient and multi-faceted national industrial system.

As part of their strategy for expanding industrialization, Romanian economists consider that internal factors play a decisive role in the achievement of uninterrupted economic progress. In this regard, the current problems to be faced are:

(1) The achievement of an optimum ratio between the accumulation fund and the consumption fund. It was established that within the present stage an accumulation rate of 32-34% can provide for the necessary rapid rate of economic development, as well as for an increase in the consumption fund. During the 1956-1960 period, the rate of accumulation was 16%, with an increase of 25% in the consumption fund; during the 1971-1976 Five-Year Plan, the rate of accumulation was 34%, while the consumption fund rose by 44%.

(2) A switch-over from reproduction based on extensive factors, to intensive-type reproduction. Within this context, particular importance is given to raising labor productivity at an average annual rate of more than 9%, to improved utilization of material and energy resources, to a reduction in material and fuel expenditures, and to an increase in labor skills and in the share of complex labor in overall social labor.

(3) An increase in the efficiency level of the whole national economy, and the strengthening of self-management within each enterprise.

(4) The improvement of scientific management and of planning activities, and the intensification of economic democracy.

Problems concerning world economic relationships and the establishment of a new international economic order hold an important place in Romanian economic thought. Thus, socialist Romania continually strives for the adoption, on an international scale, of a set of concrete and effective measures. Among these formulations are the following:
(1) In dealing with the problem of raw materials and energy, we consider that favorable results can be obtained for all countries through broad international cooperation in which modern technical solutions would be introduced in all countries in the fields of geological survey, mining and processing with the aim of increasing world reserves. Concurrently, it is necessary to achieve a normalization of international trade in raw materials and energy resources, to eliminate steep and hazardous price and market fluctuations, and to ensure price stability for longer periods.

(2) In the field of international trade exchanges it is necessary, through bilateral agreements and multilateral trade negotiations, to strive to restrain and eliminate tariff and nontarif barriers, and to eliminate other discriminatory restrictions and practices. Only then can a liberalized world trade exchange be achieved, with special consideration to developing countries. At the same time, there is increasing need for agreements among states for judicious pricing regulations, and for the achievement of a more equitable ratio between prices of various products, especially between prices of industrial products and raw materials. In this way, stimulation is offered both to raw materials exporting countries and to industrialized countries.

(3) The establishment of a new international economic order implies the provision of equitable access to contemporary technical progress for all countries. We support endeavors made by less advanced countries seeking the creation of their own national research and development base. International cooperation needs improvement so that these countries can have equitable and unrestricted access to modern technologies. We consider that measures are needed throughout the world to stimulate research work with relevance to the progress of developing countries and to improve the judicial framework within which the international transfer of technology takes place.

(4) In order to solve the worldwide food problem, improved organization of international relationships is required to promote the rational development of world agriculture in order to meet the food needs of all peoples.

(5) With a view to ensuring rapid economic progress for all countries and achieving fruitful economic cooperation among states, as well as preserving world peace, Romania considers that one of the most pressing problems of contemporary life involves general disarmament, especially nuclear disarmament. In this sense, our country has put forth a set of concrete measures which call for the freezing and gradual reduction of military budgets, the banning of thermonuclear weapons and other weapons of mass annihilation, the termination of production of nuclear weapons, the creation of denuclearized areas, the liquidation of foreign military bases, the gradual reduction of armed forces, and the withdrawal of troops from other countries' territories.

(6) Romania attaches particular importance to increasing the role
played by world-wide international economic organizations and to improving their efficiency. Within the world-wide institutional system, the main part is to be played, of course, by the United Nations, as it offers the most adequate framework for broad and democratic debate of problems and for active participation by all countries in their solutions.

Raising the standard of living of the Romanian population is given major consideration in Romanian economic research. Studies of the dimensions of the increase in workers' incomes during each stage have determined the evolution of consumer goods prices. This has resulted in a continuous growth in the population's standard of living. Thus, we see during the 1965-1978 period that the average net remuneration in our country has risen from 1047 lei to 2000 lei (almost double), while consumer goods prices have risen only by 8%. Along with the increase in the population's real incomes, the discrepancy between the lowest and the highest remuneration has been narrowed by the faster growth of the lowest remuneration, from 10 times in 1965, to 5.5 times in 1978. During the same period, 1965-1978, per capita annual expenditures for social-cultural activities have risen from 1100 lei to approximately 3000 lei. Moreover, 1.85 million new apartments have been made available to the population during the 1966-1978 period, of which 50% were funded from state and socialist units.

We would like to stress the fact that, in 1977, on the initiative of the President of the Republic, Romanian economists created a program to raise the living standard which provides for improvements beyond those established by the Five-Year Plan. Thus, under this program, real remuneration is scheduled to rise by 32%, as opposed to 18.2% envisioned in the Five-Year Plan. Likewise, plans were developed for introducing a shorter working week, which have been applied gradually since 1977.

At present, Romanian economists are carrying out intensive preparations for the unveiling of the 1981-1985 Five-Year Plan. The targets of the plan indicate a new qualitative leap in all the fields of economic and social life. By fulfilling the measures which we have projected here in a preliminary version, Romania will surpass the stage of developing country and enter the next stage, that of a country of medium economic level.