



ECONOMIC AND SOCIAL ASPECTS IN ROMANIA BEFORE AND AFTER 1989

Sorin Adrian CIUPITU

Faculty of Finance, Banking and Accountancy, Dimitrie Cantemir Christian University, E-mail: ciupitu.sorin@yahoo.com

Abstract *After 25 years since the fall of the communist regime, 61% of Romanians prefer life in communism to life in capitalism. If we are to analyse their reasons we come to the conclusion that they are quite reasonable. First, all the Romanians had a job and unemployment was a dictionary term. Communist regime, as it was, supported the building of factories, iron and steel plants and heavy industry enterprises where people had a chance to work. Today the state does not encourage this and neither does it create jobs not even in the private environment.*

Key words:

GDP, structure, weight, economic growth, real value

JEL Codes:

E20

1. Introduction

If a person is working in the public institutions, having a position in the middle or top management, at the time in which there is a change of regime, he/ she is asked to quit which finally implies running months after a job, which is so poorly paid, as every party comes up with its own staff. Managers with experience in private environment can no longer make a business plan on medium term as once with the change of the political party, fiscal code is changed and new taxes are introduced; everything seems to be unreliable.

2. Social and economic aspects

Before the 1989 revolution minimum wages earned by a worker was of 2,000 lei, the average gross salary was of 3,500 lei and the average net salary, 3,000 lei so there was a difference of 75 % between minimum salary and the average salary. At present, the minimum salary is 850 lei and the average salary is 2,298 lei, the difference between these two salaries being 170,3 %. This comparison proves that the purchasing power is inferior to the one related to the communist period. Regarding the acquisition of a house before 1989, one could buy a flat with 100- 120 000 lei by the means of a mortgage with CEC paying an interest of 3-4%, and in 2014 the same apartment cost €40000, and the interest twice bigger. In 1981 there were put into service 150500 apartments.

In 1989 with 60 salaries, one could buy an apartment of 120,000 lei (120000: 2000 = 60 salaries), and in 2014, with a minimum salary of 850 lei, people need 212 salaries (40000 x 4, 5 euro = 180000: 850 = 212 salaries).

Increase of birth rate during the communist regime was a negative fact due to abortion ban which made woman mortality rate hit the highs.

Romania's population in 1948 was 15.8 million inhabitants, in 1989 was 23,1 million and according to the statistics drawn up in 2012, the populations records 20,1 million inhabitants. Average life in 1948 was 52 years, in 1989, of 69 years and in 2013, we have 70.2 years for men and 77,6 years for women, being amongst the lowest in Europe, occupying the 41st place, respectively 37 out of a total of 53 countries.

The state has recorded significant losses as a result of hasty privatisation process, an amount valued at approximately 60 billion euros being assigned to only 6 billion euros. Many important companies (Romtelecom, the National Oil Company Petrom, Enel, Distrigaz Nord etc.) have become property of other states, completely against the concept of privatization. Romanian commercial fleet, which in 1989 was the 7th in the world, was sold, still under unveiled conditions. They were dismantled; their structures have been abandoned or destroyed. The irrigation networks were stolen or are in dereliction. In 2007 only 24% of the groups of companies in Romania were controlled by Romanian capital. As a result of these shady selloffs there have emerged millionaires in euro and the percentage of the population that lives below the minimum level of poverty has increased.

The current GDB structure is completely different of the one recorded in 1989: the industry, agriculture and export weight decreased which led to more benefits in the field of buildings, services and import.

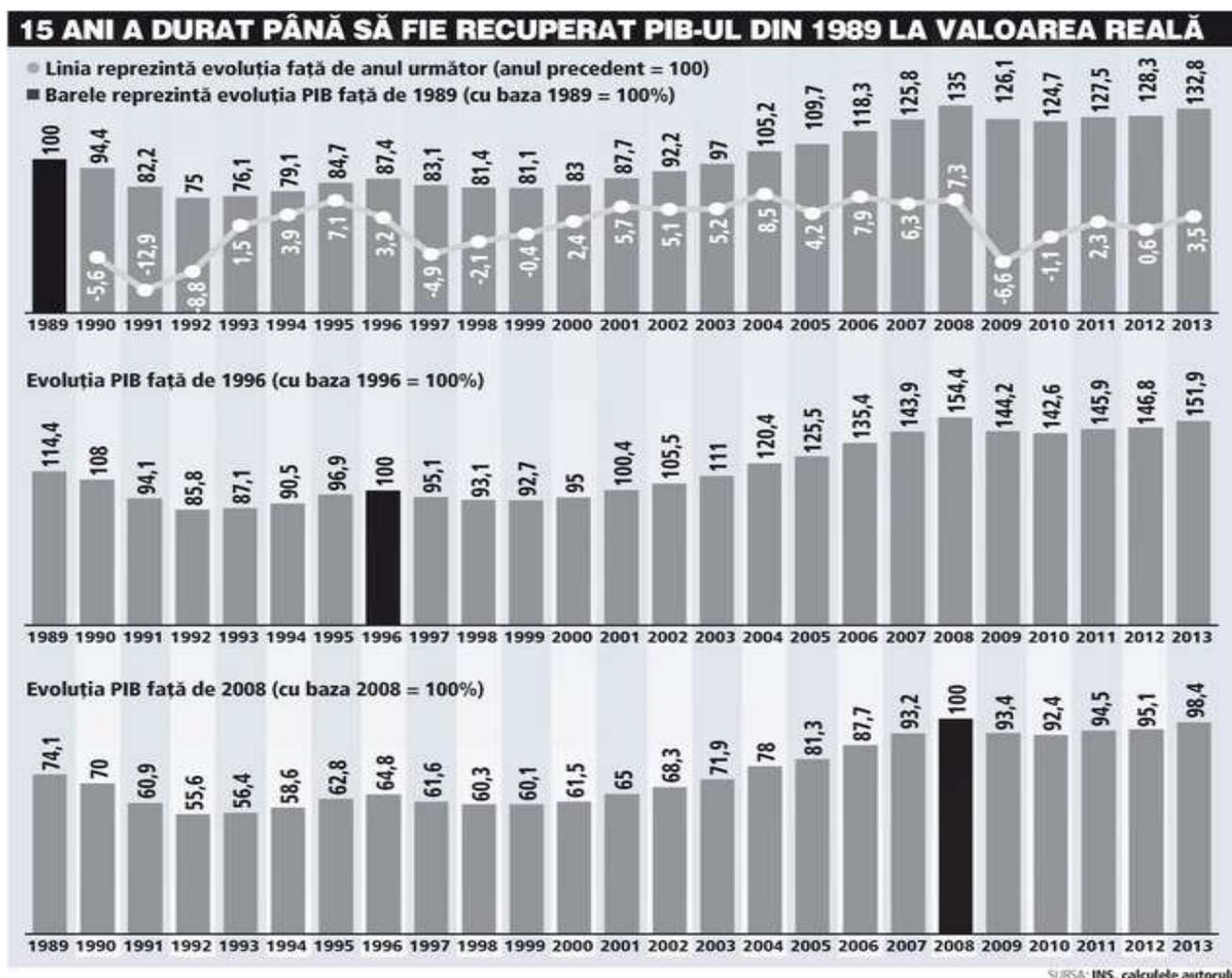
The evolution of GDP, which expressed the new national income, is presented in the table below:

| Year | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| GDP billion Ron | 631,1 | 587,4 | 557,3 | 522,6 | 501,1 | 514,7 | 404,7 | 416,0 |

| Year | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|------------------|-------|-------|-------|-------|-------|-------|
| GDP- billion Rol | 344,6 | 289,0 | 238,7 | 189,1 | 151,4 | 116,7 |

| Year | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|------------------|------|------|------|------|------|------|------|------|------|
| GDP- billion Rol | 545 | 338 | 252 | 109 | 72,1 | 49,7 | 20 | 6 | 2,2 |

| Year | 1990 | 1989 | 1988 | 1987 | 1986 | 1985 |
|------------------|------|------|------|------|------|------|
| GDP- billion Rol | 858 | 800 | 857 | 845 | 838 | 817 |



*Source INS (NIS) – Sorin Pislaru's analyse - *Ziarul Financiar*

In the period 1989-2013, covering 24 years, there were 8 years of economic slowdown and 16 years of economic growth. During the 8 years, there were 3 periods of economic slowdown, as follows:

- 1990 - 1992, when GDP decreased by 25%.
 - 1997 - 1999, when the decrease was of 7.3%.
 - 2009 - 2010, when the decrease was of 7.6%.
- The three graphs show that between 2009-2010 recession was brutal than during 1997-1999, but it was

three times reduced in comparison with the one between 1990-1992.

The graphs below highlight the period of time that was necessary to recover the three decreases of the GDP,

which actually means the period of time necessary to reach the initial level before the recession.

| AGRICULTURA ȘI INDUSTRIA AU FOST VEDETELE | | | | |
|----------------------------------------------------------------------------------------|---------------------------------|-------|----------------------------------|------|
| Contribuția categoriilor de resurse la formarea și creșterea PIB în T4 și în anul 2013 | | | | |
| | Contribuția la formarea PIB (%) | | Contribuția la creșterea PIB (%) | |
| | T4 | An | T4 | An |
| Agricultură, silvicultură și pescuit | 6,9 | 5,6 | 1,7 | 1,1 |
| Industrie | 29,8 | 30,0 | 3,5 | 2,3 |
| Construcții | 12,1 | 7,9 | 0,0 | -0,1 |
| Comert cu ridicata și cu amănuntul, transport, hoteluri | 10,2 | 10,9 | -0,1 | -0,1 |
| Informații și comunicații | 3,1 | 3,4 | 0,2 | 0,1 |
| Intermedieri financiare și asigurări | 2,0 | 2,2 | -0,1 | -0,1 |
| Tranzacții imobiliare | 6,6 | 7,8 | 0,1 | 0,1 |
| Activități științifice și tehnice, servicii administrative | 6,5 | 6,2 | 0,1 | 0,1 |
| Administrație publică și apărare | 9,1 | 10,9 | -0,1 | 0,0 |
| Activități de spectacole, culturale și recreative | 2,9 | 2,9 | 0,0 | 0,0 |
| Valoarea adăugată brută - total | 89,2 | 87,8 | 5,3 | 3,4 |
| Impozite nete pe produs | 10,8 | 12,2 | -0,1 | 0,1 |
| Produsul intern brut | 100,0 | 100,0 | 5,2 | 3,5 |

| EXPORTURILE NETE AU FOST MOTORUL | | | | |
|------------------------------------------------------------------------------------------------------------|---------------------------------|-------|----------------------------------|------|
| Contribuția categoriilor de utilizări la formarea și creșterea PIB în T4 și anul 2013 | | | | |
| | Contribuția la formarea PIB (%) | | Contribuția la creșterea PIB (%) | |
| | T4 | An | T4 | An |
| Consumul final efectiv total | 74,4 | 77,4 | 0,8 | 0,3 |
| Consum final individual efectiv al populației | 68,9 | 71,1 | 1,2 | 0,5 |
| Cheltuiala pentru consumul final al populației | 58,3 | 60,9 | 1,8 | 0,9 |
| Cheltuiala pentru consumul final al institutiilor fără scop lucrativ în serviciul gospodăriilor populației | 3,0 | 1,6 | 0,0 | 0,0 |
| Cheltuiala pentru consumul final individual al administrațiilor publice | 7,6 | 8,6 | -0,6 | -0,4 |
| Consumul final colectiv efectiv al administrațiilor publice | 5,5 | 6,3 | -0,4 | -0,2 |
| Formarea brută de capital fix | 20,7 | 22,9 | -2,8 | -1,5 |
| Variația stocurilor | 5,8 | 0,3 | 4,1 | 0,6 |
| Exportul net de bunuri și servicii | -0,9 | -0,6 | 3,1 | 4,1 |
| Exportul de bunuri și servicii | 35,8 | 42,0 | 5,0 | 5,2 |
| Importul de bunuri și servicii | 36,7 | 42,6 | 1,9 | 1,1 |
| Produsul intern brut | 100,0 | 100,0 | 5,2 | 3,5 |

*Source INS (NIS) – Sorin Pislaru's analyse - *Ziarul Financiar*

The increase since 2013, so appreciated by the governing parties, was supported by agriculture, industry and exports.

Agriculture produced in 1989, 30 million tonnes of cereals to 23 million inhabitants. But as we all remember, the bread was streamlined reporting, the peasants being forced to buy it from town. In 2013 agriculture produced a record bulk of cereals and oilseeds 24 million tonnes to 20.1million inhabitants. One advantage of those times was that the people

living in the country could work in the so called CAPs whereas nowadays they come to town.

The industry was an economic branch where most of the Romanians worked before 1989 but after the 1989 revolution many enterprises were closed or privatized and conveyed by those who bought them in bankruptcy. Later on, they reached scrap iron and the employees were made redundant. Many mill enterprises (e.g. Codlea mill, the mill grew paler, IMUM Medgidia, UPSOM) were closed, as well as many slaughterhouses, on the grounds of swine flu, avian

influenza or the mad cow disease, etc.; they were declared bankrupt so as then smart guys may import poultry, pork or beef. Economic crisis that hit Romania since 2008 has led to the closure of 12,000 companies and in 2009 because of flat-rate tax, 20,000 companies were closed.

National Employment Agency considers the level of unemployment at the end of January 2014, to be 730000 persons. If the people who work abroad might come back in the country that is 700000 of thousands of Romanians then unemployment would increase up to 1.43 million. For adult persons (25-74 years), unemployment rate was estimated at 5.8% for January 2014 (6.4% in the case men and 5.1% of women).

Number of the unemployed persons aged 25-74 years represented 73.6% of the total number of unemployed persons estimated for January 2014.

Car buildings. Brasov industry was represented by Roman Joint Stock Co. In 1989, it manufactured 17,124 Romanian trucks, the maximum level being reached in 1983, with 77,142 pieces. There were exhibited 5,649 combines in 1989, decreasing in comparison with the production recorded in 1985, with 6806 pieces. If in 1989, it had 20,000 employees and produced more than 12,000 Lorries, in May 2012 there were 300 employees and 1103000100 Lorries every 2-3 years. Similar situation on tractors. Romania exports a large part of the production of tractors in third countries and in our days, it is no longer producing anything.

Education and instruction. There are very critical points. As the primary school is not compulsory, illiteracy rate has increased in Romania.

At Math, the 7th grade students were not able to get 5 at the national test, which stands for 70%, and at Romanian Language, less than 50% got 5 at this test. Neither the 12th grade students seem more prepared. The situation of those with marks above 5 is:

| | |
|---------------------------------------------------|--------|
| Romanian Language | 52,8% |
| Mother Tongue | 67,78% |
| Compulsory field subject (Mathematics or History) | 42,51% |
| Subject at choice | 53,92% |

Situation of 9th degree students who got more than 5:

| | |
|---------------------------------------------------|--------|
| Romanian Language | 44,22% |
| Mother Tongue | 62,42% |
| Compulsory field subject (Mathematics or History) | 36,32% |

Another field that generates concerns is *health*. Many hospitals in the rural areas have not been renovated; have a few doctors for the huge number of patients and obsolete large equipment.

The first survey shows:

- we have on average of 1.9 doctors to 1,000 inhabitants and 60% of them would like to go to work abroad,
- increase of mortality and live births of children with congenital malformations,
- one of four Romanians suffers of obesity,
- 1st place in Europe with deaths caused by tuberculosis,
- more than 500000 persons with diabetes,
- 4000 individuals die annually of leukaemia.

In terms of performance in this area our country is the no. 27 of 29 European countries (27 member countries of the EU, plus Norway and Switzerland).

3. Conclusions

Many of the Romanians have regrets for the communist regime as the 25 years of capitalism brought us no high level of welfare, but on the contrary the purchasing power got lower, workplaces are rare, insecure and badly-paid, stores are full of products which they cannot afford etc. Communism has also had the good and bad things. You would somehow get a house from the factory where you were dealing, a dehydrator and you had the workplace provided but there was no freedom and those who were against arrangements, would get tortured and killed in prison. The only means of information as the TV for two hours a day when most of the times the electricity was cut off ...we should not forget these things. We are leading a worse life because we are not able to choose our leaders and moreover, we still let them handle us

Romania is far from able to get out of the crisis in the next few years and the politicians tell us the spectacular results that are in fact only on paper and not relevant the purchasing power of Romanians. For 25 years we have been living with the hope that one day we would have both skilled politicians and president, all honest and devoted to this beautiful country called Romania and the young people would no longer go to work among strangers leaving behind their families.

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