

Professor Dr. Cezar MEREUȚĂ

## Some microeconomic landmarks of the transition process in Romania

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Cezar MEREUȚĂ

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*To my wife, Carmen,  
without whose commitment  
my research would not have been achieved*



## Foreword

On June 21<sup>st</sup>, 2016, following the proposal of the Romanian Academy, the Great National Lodge of Romania granted the "Eugeniu Carada" Prize in Economics to the study "Unele repere microeconomice în procesul de tranziție din România", author Prof. Dr. Cezar Mereuță.

As President of the Evaluation Commission, I was asked to present a characterization of the research activity of Prof. Dr. Cezar Mereuță.

My speech is presented below in its original form:

The "Eugeniu Carada" Prize is granted for outstanding scientific contributions (works), based on advanced research and modeling in the economic and finance and banking areas. The Commission has analyzed a large number of works published in 2015, and from among the three nominated studies it has chosen that the prize to be granted to the study "Unele repere microeconomice în procesul de tranziție din România" – author Cezar Mereuță.

This study and the author are worth to be granted the prize for the endeavor to formulate and test different theories and to seek for and suggest solutions to be applied in the real economy, especially in the companies residing in Romania.

Graduate of the Polytechnic Institute of Bucharest, Ph.D. in economics and engineering and with close scientific relationships with research institutions from Italy, United Kingdom, Germany, France and other countries, Cezar Mereuță has held different executive and managerial positions at large industrial companies, as well as different positions in education: lecturer, professor at the Polytechnic Institute of Bucharest, Academy of Economic Studies, National School of Political and Administrative Studies and Technical University of Pitești, scientific director and general director of consultancy companies from Bucharest, director of the single microeconomic journal: *Microeconomia Aplicată*, known in Romania and abroad, President of the Romanian Center for Economic Modeling and associated researcher at the Macroeconomic Modeling Center of the Romanian Academy.

Author of 16 books and over 150 research papers and publications in microeconomics, Cezar Mereuță has built up a comprehensive data base on the non-financial companies, has developed and tested the theory of economic concentration, has approached and developed the nodal theory of systems of companies from Romania.

In fact, Cezar Mereuță has set the foundations of scientific research in applied microeconomics.

Cezar Mereuță has drawn up for 18 consecutive years the ranking of the Romanian companies by descending order of turnover, developing the well-known Top 100 companies, which provides a qualitative picture of the real Romanian economy.

His paper is a synthesis of results of his researches performed over decades, through which he demonstrates that the empirical laws identified in order to assess by international standards the turnover degree of concentration stay valid also for the main economic indicators of the companies operating in Romania, while the nodal analysis becomes a general theory of the systems of companies.

In the end, the Commission warmly congratulates Cezar Mereuță for his scientific performance and wishes him Happy Birthday and many more successes to come.

Thank you,

Academician Aurel Iancu

5.11.2018



## Milestones of author's scientific activity

**Prof. Dr. Cezar Mereuță**

Honorary Member of the Romanian Academy of Technical Sciences  
Associated Researcher at the Center of Macroeconomic Modeling  
of the Romanian Academy



## Relevant books

1. *Analiza diagnostic a societăților comerciale în economia de tranziție (Diagnosis analysis of companies in the transition economy)*, Editura Tehnică, 1994 – coordinator and co-author
2. *Tranziția managementului societăților comerciale românești. Perioada 1990-2000 (Transition of management of the Romanian companies. Period 1990-2000)*, Editura Tehnică, 1995 – coordinator and co-author
3. *Analiza nodală a sistemului industrial românesc (Nodal analysis of the Romanian industrial system)*, Editura Tehnică, 1995 – author
4. *Culturi organizaționale în spațiul românesc. Valori și profiluri dominante (Organizational cultures on the Romanian territory. Dominant values and profiles)*, Editura Expert, 1998 – coordinator
5. *Analiza de competitivitate a economiei românești. Orizont 2000-2005-2010. Soluții strategice alternative (Competitiveness analysis of the Romanian economy. Horizon 2000-2005-2010. Alternative strategic solutions)*, Editura Academiei Române, 1998 – coordinator and co-author
6. *Industria prelucrătoare românească 1990-1998. Diagnostic structural. Opțiuni de politici industriale (The Romanian manufacturing industry from 1990 to 1998. Structural diagnosis. Industrial policy options)*, Editura Fundației PRO, 2000 – coordinator and co-author
7. *Economia României. 1990-2000. Compendiu, 2001 (The Romanian economy. Compendium)*, Editura Economică – co-author
8. *Economia României. Sistemul de companii. Diagnostic structural (The Romanian economy. System of companies. Structural diagnosis)*, Editura Economică, 2001 – co-author

9. *Analiza nodală a sistemelor de companii (Nodal analysis of systems of companies)*, Editura Economică, 2004 – author
10. *România 2007. Industria prelucrătoare. Piețe și potențial (Romania in 2007. The manufacturing industry. Markets and potential)*, Editura Finmedia, 2004 – co-author
11. *România 2007. Serviciile: convergență și dezvoltare (Romania in 2007. Services: Convergence and development)*, Editura Finmedia, 2005 – co-author
12. *Avantaje competitive ale industriei prelucrătoare din România în Uniunea Europeană – (Competitive advantages of the manufacturing industry of Romania in the European Union)*, Editura ASPES, 2007 – coordinator and co-author
13. *Clasele concentrării economice și factorul 80% (Classes of economic concentration and the 80% factor)*, Editura Economică, 2012 – author
14. *Repartiția teritorială a companiilor-noduri pe principalele activități ale economiei naționale. Compendiu (The territorial distribution of node companies by main activities of the national economy. Compendium)*, Editura Economică, 2013 – co-author
15. *Capitalul majoritar străin în companiile-noduri de pe principalele piețe din România. Compendiu (Majority foreign capital in node companies on the main markets of Romania. Compendium)*, Editura Economică, 2013 – co-author
16. *Unele repere microeconomice în procesul de tranziție din România (Some microeconomic benchmarks in the transition process of Romania)*, Editura Economică, 2015 – author
17. *Priorități strategice ale dezvoltării României la orizont 2025 (Strategic priorities of development of Romania at horizon 2025)*, Editura Economică, 2017 – author

## Relevant distinctions

- The "Virgil Madgearu" Prize of the Romanian Academy in 1996 for the book *Analiza diagnostic a societăților comerciale în perioada de tranziție (Diagnosis analysis of companies in the transition economy)*
- The "Virgil Madgearu" Prize of the Romanian Academy in 2000 for the book *Analiza de competitivitate a economiei românești. Orizont 2000-2005-2010. Soluții strategice alternative (Competitiveness analysis of the Romanian economy. Horizon 2000-2005-2010. Alternative strategic solutions)*
- The Prize of the General Association of Economists in Romania in 2004 for the book *Analiza nodală a sistemului de companii (Nodal analysis of system of companies)*
- The Gold Medal of ABI (American Biographical Institute) for research on economic concentration, 2007
- Award of Excellence given by the National Institute of Economic Research for outstanding achievements in the development of Romanian economic research, 2010
- Award of Excellence given by the General Association of Economists in Romania for outstanding professional performance in studying the dynamics of economic structure, 2011
- Award of the General Association of Economists in Romania for two decades of contributions to the topic of concentration and interdisciplinary research in Romania, reflected in the book *Clasele concentrării economice și factorul 80 % (Classes of economic concentration and factor 80%)*, 2012
- Award of the General Association of Engineers in Romania for the book *Clasele concentrării economice și factorul 80% (Classes of economic concentration and factor 80%)*, 2012
- Nominated among the Top 100 persons from Romania who set the country in motion through the power of ideas or deeds, by the *Foreign Policy Journal*, January-February 2014, leader of Section 9 "Ideas and projects" for the book *Capitalul majoritar străin în companiile noduri de pe principalele piețe din România (Majority foreign capital in node companies on the main markets of Romania)*, Editura Economică, 2013

Award of Excellence given by the General Association of Economists in Romania, the Romanian Statistical Society and Romanian Association of Professors of Economics for original scientific research regarding the fundamentals of economic and social development strategies of Romania, 2014

Nominated among the Top 100 persons from Romania who set the country in motion through the power of ideas or deeds, by the *Foreign Policy Journal*, Jan.-Feb. 2015, in Section 9 "Ideas and projects", for the profound understanding of the mechanisms of the real economy of Romania, 2015

The "Eugen Carada" Prize in Economics, awarded by the Great National Lodge of Romania, on the proposal of the Romanian Academy, for the book *Unele repere microeconomice in procesul de tranzitie din Romania (Some microeconomic benchmarks in the transition process of Romania)*, 2016

The Academic Merit Diploma awarded by the Romanian Academy for contributions to the development of the theoretical and applied Romanian scientific research in microeconomics, December 2016

The "Centennial Pierre Verner Prize" Medal awarded by the "Costin C. Kiritescu" National Institute of Economic Research of the Romanian Academy as appreciation of the contributions to the Romanian applied research in microeconomics, 2018

### Relevant entries

Who's who, Edition 2003, Cambridge Biographic Institute

Who is who (annual editions 2007-2011) Encyclopedia of Romanian Personalities – Hübner Who is who

Who's who in the World (2010) Maquis Who's who

Who's who in the World (2015) Maquis Who's who

Elected in 2016 Honorary Member of the Romanian Academy of Technical Sciences

## The main ideas of original scientific investigations

The basic research carried out over a period of twenty years refers to the economic concentration theory. In order to develop and verify the results we have assembled a database of non-financial companies, structured by classified markets covering the period **1995-2012**.

Original research has resulted in the development of:

- **Nodal analysis of systems of companies** – extension of nodal analysis of energy systems of the Romanian academician Paul Dimo. We defined the node – companies of the national system of a classified market, namely the companies that cover in decreasing order 80% of the total turnover of the analyzed market. Analysis of the informational energy of the 1093 markets analyzed during 1995-2012 showed that in all cases its value exceeded 97% of the total.

Consequently, the node companies of a market define its economic performance.

Turnover is the **power indicator** of companies because on its value depend:

- the market position;
- the bargaining power with customers and suppliers;
- the innovation capacity;
- withstanding the negative shocks to markets.

The nodal analysis applied to the 1009 non-financial markets overturned **the 20/80 paradigm** (20% of causes resulting in 80% of the effect). The mean value of the mega-experiment was about **10%**.

In other words, in the systems of companies the structures of power have a very high concentration. For example, for the national companies of Romania in the period 1995-2012 the share of node companies ranged between 3.5 and 4.9%!

Using nodal analysis, the evolution and structural changes of the national companies during 1995-2012 could be consistently diagnosed.

**Analysis of informational energy distributions has consistently demonstrated that in the analyzed period around 100 companies, in order of decreasing turnover, covered 90% of the total value of the indicator.**

**Consequently, it resulted that the Top 100 Romania could provide a crucial qualitative picture of the real Romanian economy. The development for 10 consecutive years of Romania Top 100 showed that Top 100 has consistently estimated:**

- Gross profit for the year obtained in the whole national system.
- Type of growth over the period 2005-2008.
- Changes in the ownership structure of companies during the analyzed period.
- Changes in the international market through the conduct of subsidiaries of multinational companies present in the Top 100.
- Internal markets most affected by the crisis in the period 2009-2011.

• **A new approach to economic concentration**

In the study of economic concentration, we introduced two new indicators:

- The M index =  $\frac{\ln(H) + \ln(n)}{\ln(n)}$ , namely the normalized Renyi entropy,

which reduces the large variations in the Herfindahl and Gini values and has the property that the average value for all types of analyzed markets is **0.5**, which allowed the construction of a scale of concentration in the 0-1 domain.

- The structural dominance of the leader  $Gdl = \frac{Cl^2 - \frac{1}{n}}{1 - \frac{1}{n}}$ .

The indicator is essential for measuring the influence of market leaders and, together with the M indicator, can define the type of barriers to entry.

The simultaneous use of the two indicators gave us the possibility to develop the **universal matrix of concentration distortion**, of great importance in assessing the market competition.

For the original elements, the works Nodal analysis of systems of companies and Classes of economic concentration and the 80% factor were awarded by the General Association of Economists in Romania, and the latter was also awarded by General Association of Engineers in Romania.

Evolution of system of companies resident in Romania, as well as of the sectoral structure of the real economy has enabled us to elaborate at the end of 2014 the study "Strategic Priorities of Romania's Development on Horizon 2025", awarded in 2014 the Diploma of Excellence by the General Association of Economists in Romania, Romanian Statistical Society and the Romanian Association of Professors of Economics for original scientific research on fundamentals of economic and social development strategies of Romania.

## The word of translator

Over more than a decade, I had the chance to collaborate with Prof. Cezar Mereuță as translator of some of his studies, and also as a collaborator in joint research projects. This paper presents, as the author himself states, his most important original research results over the last two decades. Throughout a prestigious career in the field of scientific research, Prof. Cezar Mereuță has conducted studies and researches which we consider to be opening roads for Romania:

- has established the domestic scientific research in applied microeconomics;
- has consistently followed the transition of the Romanian system of companies from the centrally-planned to the market economy, as well as its evolution in the context of the European single market and the world economy in general;
- has achieved the ranking of Romanian companies according to the turnover indicator in the well-known Top 100 (which recently reached a quarter of a century), which is both proof that high performance can be achieved in the Romanian economy, but also an incentive for businesses to self-improve, and for the political and administrative decision-makers to engage more actively in supporting the healthy and sustainable development of the business activity;
- has contributed to the first comprehensive domestic analysis of competitiveness of the Romanian economy and to the outlining of the strategic directions of action relevant to the period, as well as to the development of national and regional competitiveness assessment models that remain valid;
- has analyzed objectively and in detail the system of companies residing in Romania, insisting on its distortions and malfunctions and on the present and potential negative impacts of both their perpetuation and of the lack of action of the actors involved in their correction, from the economic agents themselves to the political and administrative decision-makers;
- has highlighted a number of strategic priorities that have been, are and will continue to be critical to Romania's development in the near future.

The style of Prof. Cezar Mereuță's work has always been a very clear one (which for a translator is a real blessing), objective and intelligible to a wide range of readers and beneficiaries of his works, from students to businessmen, from researchers to policy makers. The studies and books of Prof. Cezar Mereuță are thus able not only to disseminate efficiently the scientific and strategic information but, above all, to create platforms for discussion and pooling of the actors concerned, precisely in order to jointly pursue real actions to correct the distortions and dysfunctionalities in the Romanian economy and to evolve on a more complex and turbulent European and global economic arena in the future. It is also worth mentioning the explicit and implicit steadiness with which Prof. Cezar Mereuță promotes the interests of Romania and not of any partisan group, as well as the imperative of their pursuit and promotion by all the parts involved and at all levels of the entire Romanian society.

In conclusion, I can only say thank you to Professor Cezar Mereuță for offering me the chance to be the translator of some of his studies and, thus, to have direct access to his vast scientific experience and to learn very much as a scientific researcher.

November 2018

Dr. Mihaela-Nona Chilian



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## Argument

The somewhat unusual title of this volume forces me to some clarifications.

The period of the last 23 years was, for my part, intended for the structural research of the real economy, mainly of the subsystems of companies classified as according to NACE Rev. 1 and/or Rev. 2 and of sectors of the economy.

At the beginning of the period (1992-1997) I had the privilege that, together with my eminent colleagues from the Centre for Management and Technology Transfer (CEMATT SA) to know, through the PHARE Program and the assessment of candidates for the post of manager of state-owned companies, a large number of companies in terms of management and employees' reactions to the fundamental change in the economy. Knowledge of the diversity of management behaviors and organizational culture were an essential witness of the unusual amplitude of change and, at the same time, a challenge to analyze the complex phenomena of transition of companies and sectors of the real economy to the competitive economy

A key support for accepting this challenge was provided by Academician Emilian Dobrescu, who advised me to start and deepen such research, following that the main results to be presented and validated in the Macroeconomic Modeling Seminar, the current Centre of Macroeconomic Modeling of the Romanian Academy, which he initiated and leads since 1990.

Over the last 20 years, I have presented 14 times the total and partial results of nodal analysis of systems of companies, as well as those related to the diagnosis of Romanian manufacturing industry, to the researchers of the Centre of Macroeconomic Modeling of the Romanian Academy.

I have presented to the collective three complex works, as follows:

- *Industria prelucrătoare românească 1990-1998. Diagnostic structural. Opțiuni de politici industriale*, Editura PRO, 1999.
- *Analiza nodală a sistemelor de companii*, Editura Economică, 2004.
- *Clasele concentrării economice și factorul 80%*, Editura Economică, 2012.

Over the 14 presentations of my research in various stages of development, I have received substantial support in the observations of colleagues: Dr. Cornelia Scutaru, Prof. Dr. Corneliu Russu, Acad. Aurel Iancu, Prof. Dr. Moise Altăr,

Dr. Mioara Iordan, Dr. Nona Chilian, Acad. Lucian Albu, Conf. Dr. Daniel Ciuiu, Dr. Viorel Gaftea, Prof. Dr. Elena Pelinescu. Especially helpful to me was the professionalism of the organization of presentations and elaboration of materials in the documents of the Centre of Macroeconomic Modeling of the Romanian Academy by Mrs. Dr. Bianca Păuna and Dr. Corina Saman.

\* \* \*

The volume presents the most important original results of my research in the period 1993-2014.

A brief presentation of the logic of topics selection seems necessary:

- In chapter 1 I publish a representative selection from the two studies of the collective from CEMATT SA: *Tranziția managementului societăților comerciale românești. Perioada 1990-2000 și Culturi organizaționale. Profiluri și valori dominante în spațiul românesc*. I considered that the scale and complexity of the processes that took place in the Romanian management was a key witness with subsequently reevaluated benefits that fully justified such a selection.
- Chapters 2-9 present the most important theoretical and practical results of the concept of nodal analysis, insisting on the behavioral analysis of companies that define the economic performance of companies' subsystems, on the practical ways of assessment of their economic performance and on the decisive importance of operating results. The multi-annual analyses of the mentioned companies allowed the development of a function for identifying the companies' major economic risks.

An important part of research was reserved for an analysis model of the classified markets in terms of competition, resulted in proposal of two new indicators of economic concentration (M and Gdl) and in the matrix representation of distortion of competition. One of the main conclusions of this work was the identification of areas of great opportunity for the development of SMEs in Romania, able to withstand on the external market.

- One of the most important topics retained in this volume refers to the relevance of Romania Tops 100, developed for 15 years together with the company Finmedia SRL, which allowed for vital conclusions from the strategic perspective of Romania.
- In Chapter 10, I present the model of assessment of competitiveness of the manufacturing industries in terms of economic growth. The model is widely used because of very consistent results obtainable from the perspective of developing the competitiveness of manufacturing industry.

- The analysis of the 1009 subsystems of NACE classified companies, the sectoral developments of the real economy, the Tops 100 Romania allowed to me a clear picture of the desirable structure of the Romanian economy on the horizon 2025, presented in chapters 11-15.

Finally, I mention a fundamental result obtained in 2014, namely:

- The empirical laws identified for assessing the degree of concentration of turnover in the NACE classified subsystems of companies are also valid for the main economic indicators of companies: gross profit, before tax, gross loss, operating profit, operating loss, arrears, financial expenditures.

Perhaps the validation of the conclusions of empirical laws in the world economy would lead to essential debate of philosophical nature in economics and beyond.

I trust that selection of topics presented in this volume is synchronous with the main milestones of transition in Romania, offering answers that I considered to be correct to the problems occurred.

Beside the colleagues from the Centre of Macroeconomic Modeling of the Romanian Academy, I express my warm thanks to Dr. Aurelian Dochia, Prof. Dr. Ilie Șerbănescu and Dr. Florin Pogonaru for the way they presented the background of the undertaken research.

Also consider the support given during 1992-1996 by my colleagues from CEMATT SA Dr. Eng. Ulrich Wiener, Eng. Ioan Crișan, Eng. Paul Joița, Dr. Mircea Calotă, who contributed through their suggestions to the clarification of concept of node-company of the industrial system of companies.

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The book addresses equally to the policy makers, employers' unions, trade unions and business in general.

For researchers and students, the book offers a way to deepen the exciting topic of economic concentration in the systems of companies and not only.

*Author*

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