



CURRENT MACROECONOMIC SOLUTIONS

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Rezumat

Stadiul actual la nivel macroeconomic impune implementarea unui program complex de măsuri îndreptate în direcția asigurării sustenabilității pe termen lung. Cu excepția efectelor datorate producerii fenomenelor de risc macroeconomic, actuala situație macroeconomică este datorată devansării substanțiale a capacității administrative a managementului macroeconomic de către capacitatea evolutivă a sistemului actorilor pieței.

Punctul de plecare în direcția dezvoltării unui astfel de program este blocarea căilor de transmitere și multiplicare a riscurilor macroeconomice în sistem și eliminarea factorilor perturbatori din sistem. Obiectivele programului pe termen scurt sunt reprezentate, în mod generic, de evitarea colapsului macroeconomic, iar pe termen lung obiectivele sunt convergente cu nevoia de asigurare a unui trend economic sustenabil.

Abstract

The actual macroeconomic situation asks to put into practice a complex program towards a long term sustainable development. Excepting the effects due to the macroeconomic risk phenomena, the actual situation is a result of the big gap between the high level of the evolution capacity of the companies and the rigid structure of the macroeconomic management. The start point towards solving such situation is to stop all the ways for transfer and multiply the macroeconomic risks and also to push out all the risk factors from the

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macroeconomic system. The short term objectives of such program are talking about the avoiding of the macroeconomic bankruptcy and the long terms objectives are oriented towards the establishing of a sustainable development trend.

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1. PHENOMENOLOGICAL PROBLEMS

The current economic crisis affecting Romania has strictly internal connotations and determinations: it has developed for the past 20 years building on a range of factors acting against the interests of the national economy, factors supporting interests diverging from those that should have been associated to the economic and social progress. Their development was favoured by the insufficient legislative and monitoring framework and by the insufficient consistency between the macroeconomic policies and the media that they influence, between the macroeconomic policies themselves, which should have worked as a system coordinated by correlative actions of development of the composing policies.

The strictly internal nature of the causes for the present economic situation of Romania arise from the actions and decisions of macroeconomic administration – measures and decisions which should have been a strong foundation for the establishment an development of an efficient system of macroeconomic policies relying on the following three functional pillars: institutional, legislative and methodological.

These reasons support the conclusion that the present economic crisis rampaging through Romania has strictly internal connotations. The fact that there is a so-called international crisis may be associated both to the fact that there also are other states sharing the situation of Romania, and to fact that in a future stage, the current situation may induce international effects transmitted through the channels specific to the international economic relations.

2. THEORETICAL APPROACH

The economic model which represents the present functioning of the national economy, throughout the mentioned 20 years period, is the model using the market actors as drive for the economic evolution – market actors which are lucrative societies – the role of the macroeconomic administrator being to set up the conditions for macroeconomic development, with discrete goals of national development.

The strictly necessary condition for the functioning of this model is to organise and operate an efficient system of macroeconomic policies relying on three basic pillars: institutional, legislative and methodological. Such performance of the system of macroeconomic policies presumes:

- institutional pillar:
 - correlated functioning of the macroeconomic policies;
 - provide a permanent correlation of each macroeconomic policy with the medium it regulates;
 - provide the functions of:
 - feed-back;
 - control;
 - regulation;
- legislative pillar:
 - consolidate the legislative system supporting an efficient operation of the institutional subsystem of the system of macroeconomic policies;
- methodological pillar:
 - provide the procedural system required to improve the efficiency of the institutional pillar;
- perfect correlation of the legislative pillar with the methodological pillar – correlation which presumes maintaining the system functional by complying with the legislation.

3. ELEMENTS OF DISCUSSION CONCERNING THE CURRENT SITUATION

3.1. Causal aspects

The following deficiencies of the real system of macroeconomic policies presently operating at the national level are revealed by the

analysis of the joint theoretical conditions strictly required for an efficient operation of such a system of macroeconomic policies:

- institutional pillar:
 - insufficient correlation of the policies composing the system of macroeconomic policies;
 - insufficient consistency of the relation between each macroeconomic policy and the medium it regulates due to the improper performance of the functions of:
 - feed-back;
 - control;
 - regulation;
- legislative pillar:
 - insufficient consolidation of the legislative system supporting an efficient operation of the institutional subsystem of the system of macroeconomic policies;
- methodological pillar:
 - insufficient consolidation of the procedural system required to improve the efficiency of the institutional pillar;
- insufficient consolidation of the legislative pillar with the methodological pillar – which presumes maintaining the system functional by complying with the legislation

3.2. Evaluation of the present situation

Leaving from the causal aspects mentioned above and analysing the current macroeconomic situation at the national level, the present situation can be synthesized as shown below, revealing the long-term perpetuation of the mentioned causal aspects:

- in terms of revenues to the state budget:
 - low collection of the revenues to the state budget
 - conceptual inefficiency of the taxation basis in relation with:
 - the trends at the macroeconomic level;
 - the objectives at the macroeconomic level;
- in terms of expenditure from the budget:

- low efficiency of the administrative apparatus;
- in terms of organization of the administrative apparatus:
 - low efficiency;
- in conceptual terms of setting the trends of development of the system of macroeconomic policies:
 - no correspondence of the measures and trends with the goals.

3.3. Things to do

As corollary, the present situation of economic pauperisation is due to the excess of evolutive power accumulated by the market actors in relation to the required correspondent of orientation, coordination and control by the macroeconomic administration.

The opportunity of continuing the evolutive pattern of the market based on the driving force of the economic actors as a whole should be analysed.

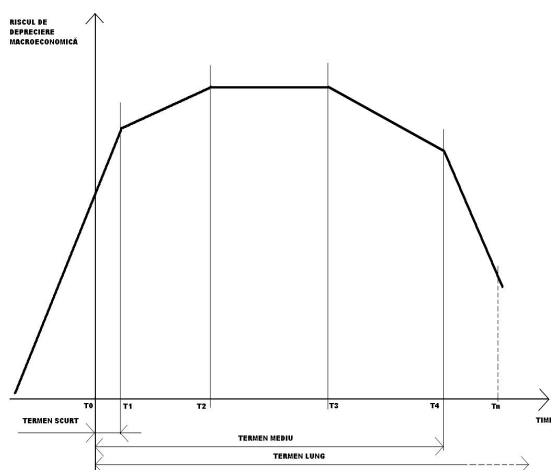
Under the conditions in which this problem would have been raised in normal economic conditions, it would have been proper to go on using the mentioned market pattern, with the amendment of improving the activity of the macroeconomic administrative factor at the institutional, legislative and methodological level.

However, under the real, present conditions, the approach must be as follows: continuing as above might induce major risks at the macroeconomic level – risks that would occur particularly during the period required to upgrade the macroeconomic administration. The upgrading of the three pillars that have to be consolidated might impose an unacceptable term compared to the one predictable under the present and prospective macroeconomic situation.

In such a situation, in order to adopt as primary strategic goal that of reducing, as much as possible, the risks of macroeconomic collapse, a rapid and efficient solution must be assumed, which is to modify, on the medium term, the pattern of market evolution, by adopting the pattern using the system of macroeconomic administration as driving force. Its goals and way of operation must be convergent and permanently consistent with the potential and requirement of development of the market actors. There are two fundamental observations that must be noticed:

- the establishment of the macroeconomic administration as driving force is valid just for a limited period, required to remove completely the risks for economic collapse and to restore the conditions for a sustainable growth;
- the establishment of the macroeconomic administration as driving force only has administrative connotation, the system guaranteeing the private property and the private freedom to run lawful economic activities continuing to be valid.

The proposed economic pattern is as shown below:



Corresponding to the period of time associated to the short-, medium- and long-term, the economic pattern underlying the behaviour at the macroeconomic administrative level is the following:

- on the short term:
 - develop a program to reduce the risks of short-, medium- and long-term economic depreciation;
 - implement the measures of the short term program – preponderantly macroeconomic measures intended to limit the risks of economic depreciation and legislative measures with immediate effect;
- on the medium term:

- implement the measures of the medium term program (during this period, (the establishment of the macroeconomic administration as driving force is valid just for a limited period, between T1 and T4).

The measures to be taken will be:

- macroeconomic;
- administrative reform – institutional and methodological aspects;
- legislative consolidation;

- on the long term:

- implement the measures of the long term program (this period is between T4 and Tn, when there have to be a permanent consistency between the level of the administrative performance of the macroeconomic management and the level of market development; one of the following administrative patterns will have to be applied: 1 – for the period between T4 and Tn-k, the economic and administrative pattern of market evolution relies on the establishment of the macroeconomic administration as driving force; subsequently to moment Tn-k, transition will be made towards to a pattern in which the market actors are the driving force; 2 – the economic and administrative pattern of market evolution will continue to rely on the establishment of the macroeconomic administration as driving force), preponderantly macroeconomic measures to stimulate the sustainable growth.

4. PROPOSED MEASURES

Measures have to be taken in order to provide a solution for the current situation and to avoid a major aggravation of the national macroeconomic situation. The short-term measures aim just to prepare the conditions of action for the medium- and long-term measures and run in parallel with the preparations for such measures:

4.1. Short-term measures

The short-term, at the level of the proposed economic and administrative system, is associated to the continuation of the economic decline, but in order to accomplish the strategic goals imposed by the necessity to adopt an anti-crisis program it is essential to identify the channels of transmission of the macroeconomic risks within the system and to break them up by

preponderantly macroeconomic measures and by legislative measures with immediate effect.

According to the economic pattern proposed for the short-term, the required activity is to set the grounds to cut down the risks of macroeconomic depreciation.

To this purpose there will have to be preponderantly macroeconomic measures acting to slow down the pace of macroeconomic depreciation (the effects are expected to occur in the time interval between T1 and T2, corresponding to the medium-term). The golden rule of the public finances has to be observed here: implement specific measures to stimulate the economic growth, the demand, consumption and production.

Using Fisher's equation for economic balance the proposed pattern looks like this:

$$MxV = PxT \quad (1)$$

where:

M = monetary volume within the economy;
V = speed of money rotation;
P = level of production;
T = level of prices.

if we put the condition valid for a developed economy:

$$V \approx ct. \quad (2)$$

then we obtain:

$$\frac{PxT}{M} = ct. \quad (3)$$

This shows that the measures taken to stimulate the demand, consumption and production have to be taken together with measures to increase the volume of money in circulation, which are anti-cyclic measures.

The same conclusion can also be reached by the laws of the Keynesian economic theory, according to which anti-cyclic measures are recommended during the periods of economic decline.

4.2. Medium-term measures

The medium-term expectations concerning the macroeconomic trends are the following:

- for the interval between T1 and T2, the pace of macroeconomic depreciation will slow down because of the measures implemented during the previous stage (between T0 and T1 – the short term), having the following causes:
 - the measures taken during interval T0 and T1 have taken effect;
 - the measures taken during interval T1 and T2 start showing their effects;
- for the interval between T2 and T3, the pace of macroeconomic depreciation stagnates (or continues to decrease) because the implementation of measures continues;
- for the interval between T3 and T4, the trend continues because the implemented measures take effect.

The following types of measures are recommended to be adopted for the period T1 - T4:

- macroeconomic measures which to continue the trend established by the short-term measures; these measures are to be similar with the macroeconomic measures associated to interval T0 – T1;
- administrative reform – institutional and methodological aspects. These are measures taken to improve the efficiency and efficacy of the administrative work at the institutional level of the central administration; they presume both the institutional reconfiguration at the administrative macroeconomic level and the methodological consolidation to support the processes to be run by the implemented programs. The reduction of the administrative expenditure is not an objective, but a consequence of the administrative reform;
- legislative consolidation, which presumes the permanent provision (permanent updating of the legislative framework required for development) of the legislative support demanded by the institutional processes included in the general program to restore the economic standard, as required by the implementation of programs of sustainable development.

4.3. Long-term measures

On the long term, subsequent to moment T4, the following situation will be reached as result of the measures already implemented:

- consolidation of the public administration as driving force of the sustainable macroeconomic evolution, particularly of the functional position provided by the three basic pillars;
- consolidation of the market standing of the economic actors.

The measures recommended for this stage consist of:

- measures with a stressed macroeconomic character:
 - measures which keep on stimulating the demand, consumption and production;
 - gradual implementation, as required, of measures to absorb the shocks which are unavoidable during the period of economic growth; such measures should have a moderate weight within the cluster of macroeconomic measures and, if they are implemented under conditions of coordination and correlation between the macroeconomic policies of the administrative system, they alleviate the risk of shocks;
- continue the permanent updating of the institutional and legislative pillars, according to the necessities of economic development; this will ensure the functionality of the macroeconomic administration.

As already mentioned earlier, on the long-term, the opportunity of configuring the macroeconomic evolution based on one of the two patterns presented below, must be analysed: 1 – for the period between T4 and T_{n-k}, the economic and administrative pattern of market evolution relies on the establishment of the macroeconomic administration as driving force; subsequently to moment T_{n-k}, transition will be made towards to a pattern in which the market actors are the driving force; 2 – the economic and administrative pattern of market evolution will continue to rely on the establishment of the macroeconomic administration as driving force), preponderantly macroeconomic measures to stimulate the sustainable growth. When examining this aspect of opportunity, the following potential risks must be taken into consideration:

- for pattern 1 – the risk of an excessive increase of state authority in the macroeconomic administration, which will restrain with no reason the possibilities of sustainable economic growth;
- for pattern 2 - the risk that the complexity of the macroeconomic administration is outrun by the system of market actors, which will yield adverse economic processes.

5. Conclusions

The necessity to analyse the opportunity of implementing a pattern and associated program for sustainable macroeconomic development appeared when the macroeconomic organisation achieved a stage of orientation adverse with the normal tendencies and expectations of macroeconomic evolution; this stage is represented by the fact that the complexity of the macroeconomic administration is outrun alarmingly by the system of market actors, which caused adverse economic processes whose development was also supported by the low efficiency and efficacy of the macroeconomic administration.

Such a situation requires the sharp break up of this evolutive trend, with the primary goal to reduce the macroeconomic risks.

A complex program of sustainable macroeconomic growth must be put into place, having the following directions of action:

- give priority to the national economic interests;
- block the economic mechanisms transmitting the macroeconomic risks;
- remove the disrupting factors working within the macroeconomic system.

6. Timeframe

The timeframes delimiting the stages of the above-mentioned program must be decided taking into consideration the following two aspects:

- possibility,
- expectations,

These two aspects have to be treated jointly in order to determine the optimal delimitation of the timeframes defining the terms for program implementation.

A six months timeframe is proposed for Stage I, which is the short-term interval T0 - T1, relying on the following considerations:

- the measures necessary to be adopted are generally known because the key points of intervention already are known;
- the implementation effort must be done within a short time, so as to reduce the effects of macroeconomic collapse.

The following timeframes are proposed for Stage II, the medium-term interval:

- $T0 - T2 = 18$ months;
- $T0 - T3 = 30$ months;
- $T0 - T4 = 42$ months,

The risks of macroeconomic depreciation must be reduced continuously and kept under control.



RISKS AND POTENTIAL BENEFITS OF ENLARGING THE EURO ZONE

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Rezumat

În mod logic, procesul extinderii Zonei Euro, cu asimilarea noilor state membre ale Uniunii Europene, presupune, în primul rând, îndeplinirea criteriilor nominale de convergență din partea țărilor candidate, iar în al doilea rând, adoptarea propriu-zisă a monedei euro. Analiza extinderii ZE ar trebui să pună în evidență costuri și beneficii potențiale importante care ar decurge din acest demers, obiectivul unei astfel de extinderi fiind obținerea unui efect net pozitiv pentru țările membre, atât pentru cele noi, cât și pentru cele vechi. Este dificilă, chiar imposibilă o analiză exhaustivă a acestui proces, de multe ori efectele extinderii ieșind la iveală după o lungă perioadă de la adoptarea monedei unice.

Abstract

Logically, the process of enlarging the euro zone, by assimilating the new EU member states, presumes first that the candidate countries meet the nominal criteria of convergence and, second, the actual adoption of the euro. The analysis of euro zone enlargement should reveal the potential costs and benefits of such action, the purpose of such enlargement being a net positive effect both for the new member states, and for the older member states. It is difficult, even impossible, to make an exhaustive analysis of the process; many times, the effects of the enlargement surfacing only after a long period after the adoption of the single currency.

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