How real are Macroeconomic Parameters of Romania during 1989-2009

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Abstract

The main idea of this article is that GDP of Romania related to the last 12 years is extremely high and creates the illusion that in a short period of time it could become a developed country from economic viewpoint. Based of the analysis of macroeconomic indicators from official statistical publications, the necessary arguments are brought to demonstrate how real macroeconomic parameters of Romania are during 1989-2009.

Keywords: *Gross domestic product, commercial deficit, macroeconomic parameters, average exchange rate, self consumption production, des-industrialization*

JEL classification: E21; E23; E42

Preliminary considerations

After 20 years since 1989 events, the economy of Romania has become an economy with severe macroeconomic disequilibria, synthesized in the disequilibrium between aggregated supply and offer. That is why, the first measure to start the national economy rehabilitation, should be the balance of commercial exchanges and abroad, to end the deficit of foreign trade which in the last 20 years amounted an astronomic figure of 142 billion USD.

Surveying the data regarding the deficit of foreign trade of Romania, resulted during all these 20 years since the change of December 1989, we notice that not only the amount of this deficit is very extremely high, but especially the fact that Gross Domestic Product reported to be achieved in the last 12 years and mostly during 2005-2008 is arguable high and unbelievably to be accepted. That is why we try to point out the causes producing these growths and which possibilities exist for a government wishing to survey wrong development, in order to

rehabilitate the national economy, that it could reach its purpose justifying its existence.

1. Gross domestic product and deficit of foreign trade deficit

Who pursued INS yearly statistical bulletins and NBR yearly reports could notice a kind of acceleration of GFP growth, since 2005 (table no.1).

Table with influences over national income, due to deficit of foreign trade

Calendar years name of parameters	Yearly GDP achieved million USD	Export FOB Million USD	Import CIF Million USD	Coverage (%) Through export of import CIF (col.2 : col.3)	Export net: Export FOB - import CIF Million USD (col.2 – col.3)	Deficit % of GDP	Yearly GDP diminished by deficit of foreign trade (col.1.- col.5) Million /USD
0	1	2	3	4	5	6	7
2000	36.719	10.366,5	13.054,5	79,4	-2.688,0	7,3	34.031,0
Legisl. 3	**139.470**	**35.686,8**	**46.728,7**	**76,4**	**11.141,9**	**8,0**	**128.320,9**
2001	38.718	11.393,0	15.568,0	73,1	- 4.175,0	10,8	34.543,0
2002	45.790	13.876,0	17.847,0	77,8	- 3.971,0	8,7	41.819,0
2003	56.951	16.722,0	22.706,0	73,6	- 5.984,0	10,5	50.967,0
2004	73.167	23.515,0	32.638,0	72,0	-9.123,0	12,5	64.044,0
Legisl. 4	**214.626**	**65.506,0**	**88.759,0**	**73,8**	**-23.253,0**	**10,9**	**191.373,0**
2005	98.565	26.795,1	39.212,2	68,3	-12.417,1	12,6	86.147,9
2006	121.609	32.400,2	51.119,7	63,4	- 18.719,5	15,4	102.889,5
2007	163.629	39.663,4	68.691,8	57,7	- 29.028,6	17,7	134.600,4
2008	182.924	47.059,0	78.588,2	59,9	- 31.529,2	17,4	151.394,8
Legisl. 5	**566.727**	**145.917,7**	**237.611,9**	**61,4**	**-91.694,4**	16,2	**475.032,6**

From a total GDP of 36.167 billion USD obtained in 2000, after four years it reached 73.167 billion USD, namely, a growth of 1.9926 times and thus a plus of 36.448 billion USD, which meant an average increase of 9 billions/year. The sum of GDPs obtained in four years was 214.626 billion USD, as against 139.470 billion USD between 1997 and 2000. During 2005-2008, it jumped from a total GDP of 73.167 billion USD obtained in 2004, to about.182.924 billion USD on 31.12.2008, and then at the end of 2006, it registered 121.609 billion USD. GDP total plus obtained at the end of 2008 as against 2004 was equal to 109.757billion USD in four years.

The avalanche of growths started even in 2005, when it was reported a GDP plus equal to 25.4 billion USD as against the previous year. Total sum of yearly GDPs for four years 2005-2008 was 566.727 billion USD, which, in a forecast by extrapolation, could create the illusion that in 16 years (four legislations) with the same growths, Romania reached to be an industrialized country which achieved a GDP of over 500 billion USD/year, growth for which West Germany needed 40 years.

Yearly deficit of Romania's export from the legislature 4, reduced the sum of GDPs reported between 2001-2004 by 23.253 billion USD, diminishing GDP by 214.626 billions, to 191.373 billion USD. A reduction by imports too was done in the legislature 5 as well, when total GDP of 566.727 billion USD between 01.01.2005 and 31.12.2008, was reduced by deficit of foreign trade with 91.694 billion USD, which determined that national income should fall to 475.032 billion USD, namely 83.82% of total GDP (table no.2).

**Macroeconomic parameters obtained in the last 20 years
of national economy in Romania**

Table 2

Calendar year	GDP in constant prices 1989	GDP in current or nominal prices	Change in USD of GDP in current prices	GDP evolution as against previous year	Poverty rate	Yearly GDP as against 1989	GNP/capita	Average exchange rate in	Number of employees in thou persons
	Billion lei	billion lei	Billion USD	%	%	%	USD/inhabitant	lei/USD	thou pers.
0	1	2	3	4	5	6	7	8	9
1988	849,38	857,0	?	- 0,5		105,0	?	?	?
1989	800,00	800,0	?	- 5,8		100,0	?	?	8.323,0
1990	755,19	857,9	34,730	- 5,6		94,4	1.640	21,56	8.142,2
1991	657,88	2.203,9	27,619	-12,9		82,2	1.390	76,47	7.483,5
1992	599,50	6.029,2	24,438	- 8,8		74,9	1.130	307,95	6.627,4
1993	608,49	20.035,7	25,963	+ 1,5		76,1	1.140	760,10	6.385,3
1994	632,22	49.773,2	30,086	+ 3,9		79,0	1.230	1.655,09	6.201,0
1995	677,21	72.135,5	35,533	+ 7,1	25,27	84,6	1.480	2.033,28	6.048,0
1996	703,75	108.919,6	35,508	+ 3,9	19,85	88,0	1.600	3.082,28	5.894,0
1997	655,22	250.480,2	34,843	- 6,9	30,81	81,9	1.410	7.167,94	5.399,0
1998	607,20		34,158	- 7,3	33,82	75,9	1.360	8.875,55	5.182,0
1999	599,80		34,027	- 2,3	41,20	75,0	1.470	15.332,93	4.659,0
2000	603,21		36.719	+ 1,6	43,60	75,4	1.670	21.692,74	4.646,0
1998[2]	627,59	338.670,0	34,158	- 6,4			1.360	8.875,55	
1999[2]	619,93	521.735,5	34,027	- 1,2			1.470	15.332,93	
2000[2]	633,62	803.773,1	36,719	+ 2,2			1.670	21.692,74	
2001	669,69	1.167.687,1	38,718	+ 5,7		83,4	?	29.060,86	4.613,0
2002	702,54	1.514.750,9	45,790	+ 5,1		87,8	?	33.055.00	4.615,0
2003	736,96	1.903.353,8	56,951	+ 5,2		92,1	?	33.200,00	4.655,0

Calendar year	GDP in constant prices 1989	GDP in current or nominal prices	Change in USD of GDP in current prices	GDP evolution as against previous year	Poverty rate	Yearly GDP as against 1989	GNP/capita	Average exchange rate in	Number of employees in thou persons
	Billion lei	billion lei	Billion USD	%	%	%	USD/inhabitant	lei/USD	thou pers.
2004	*798,12**	2.387.914,3	73,167	+ 8,3		99,8	?	32.637,00	4.652,7
2005	*832,44**	288.176,1[1]	98,565	+ 4,2		104,1	?	*2,9237**	4.501,2
2006	*898,20**	344.535,5[1]	121,609	+ 7,9		112,3	?	*2,8331**	4.575,0
2007	*952,09**	404.708,8[1]	163,629	+ 6,0		119,0	?	*2,4685**	4.717,2
2008*	*1.026,35**	*436.275,2[1]**	*182,924**	+ 7,8		128,3	?	*2,3850**	4.825,1[5]

Source: NBR yearly report 1996, 1998, 2000 and 2004, INS statistical bulletin 12/2002, 1/2003 and INS press release no.11of 26.02.04. For 1988-2000 INS reports had in view SEC 79. For 1998-2008 INS it was used also the calculation method from the stipulations of SEC.95 (colored lines). Statistical bulletin no.10/2008.

Legend; *2008** provisional data ; 1998[2], 1999[2], 2000[2] calculations repeated with SEC 95; 288.176[1] =lei (Ron); 4.825,1[3] employees on 31.10.2008 (col.9).

2. Macroeconomic parameters of Romania since 1989

In order to be able to analyze as a whole the macroeconomic results obtained by Romania during 1989-2008, it was necessary to draw up the table 2, including the evolution of yearly GDP calculated in current prices, expressed in billion lei (old and new) and in USD, and for comparison in constant prices too 1989, determined based on the size of yearly deflators issued by the National Bank up to 2004, after this date, NBR modified the content of its yearly reports.. Data of column 6, which represent the ratio between yearly GDP and GDP in 1989, show that just in 2005 (the 16th year) it was reached again the value achieved in 1989.
And those 16 years lost for growth (1990-2004), do not mean everything, because the most severe effect was registered in the field of jobs. Continuous reduction of employees' number from 8.323.000 persons as were at the end of 1989, to 4.613.000 at the end of 2001, as it increased by few thousands at the end of 2002 and 2003, to decrease again in 2004 and 2005 when it reached 4.501.200 and increased again to 4.717.000 employees in 2007 and 4.825.100 on 31.10.2008, represented a brutal process to downgrade 3.7 million employees and their families, which were left arbitrarily without subsistence means.

Comparing the evolution of GDP values in lei in constant prices 1989 (col. nr. 1 of table no. 2) with GDP values in USD in nominal prices, it is obvious that in the last five years something happened which determined that those values should increase unbelievably in the statistics of European countries and not even of continental China, which obtained during good years, yearly growths of 10%!

We chose for equivalent in USD and not in euro the results calculated in national currency, from two reasons: USA is an etalon state from economic viewpoint and statistical data issued by World Bank and UNO are expressed in USD as well.

3. GDP formation since 2000

The following tables noted with no.3-a and 3-b present yearly GDP formation by categories of resources, pointing out the part achieved in agrarian field and in industrial sector, the difference belonging to the other fields composing the sector of services.

**GDP formation in million USD during 2000-2008, with the weight
of agrarian and industrial sectors**

Table 3-a

	Yearly GDP achieved in million USD	Agrarian sector		Industrial sector		Agrarian sector + +Industrial sector		Other sectors = =Total GDP minus GDP (agrarian+ind.)	
		Million USD	% of GDP	Million USD	% of GDP	Million USD	% of GDP	Million USD	% of GDP
0	1	2	3	4	5	6	7	8	9
2000	36.719	4.075,8	11,1	10.024,3	27,3	14.092,8	38,38	22.626,2	61,62
Total L. 3	139.470								
2001	38.718	5.188,2	13,38	19.724,9	27,66	15.889.9	41,04	22.828.1	58,96
2002	45.790	5.220,1	11,40	12.867,0	28,12	18.114,5	39,52	27.694,1	60,48
2003	56.951	6.644,4	11,72	15.547,6	27,26	21.960.3	38,99	34.745,8	61,01
2004	73.167	9.475,1	12.95	19.762,4	27,01	29.244,8	39,96	43.922,1	60,04
Total L. 4	214.626	26.527,8	12,36	58.871.9	27,43	85.399,7	39,79	129.226,3	60,21
2005	98.565	8.309,0	8,43	24.286,4	24,64	32.595,4	33,07	65.969.6	66,93
2006	121.609	9.497,7	7,81	29.514,5	24,27	39.012,2	32,08	82.596,8	67,92
2007	163.629	10.864,9	6,63	38.403,7	23,47	49.252,3	30,10	114.376,7	69,90
2008	182.924	11.816,9	6,46	41.798,1	22,85	53.615,0	29,31	129.309,0	70,69
Total L. 5	566.727	42.674,5	7,53	136.354,5	24,06	179.029,0	31,59	387.698,0	68,41

The analysis and comparison of these data results in several findings, of which one of the most important is that in the last eight years, the weight of agriculture and industry in GDP was continuously falling, representing a minus of 6.89 percentage points passing from 2004 to 2005 (col.7 of table) reaching a weight of 29.31% at end of 2008, meaning that between 26 and 30% of actual GDP it is obtained similarly as in the states with speculative economies, of speculator activities and protectionism which the state structure gives its employees and wealthy persons with big fortune, according to the model developed in USA and in United Kingdom by Ronald Reagan and Margaret Thatcher. With the difference that in the two states mentioned above, agriculture and industry passed 100 years

ago the stage Romania is passing now. Normally, for a country with national economy under developing, these two sectors should represent over 60% of GDP. Without achieving this minimum, national economy of Romania returns the situation existent before the Second World War, or even worse, as happened in former Belgian colony Congo.

4. Reality of macroeconomic parameters

In table 3-b, we detailed the sector of services, according to the data of monthly statistical bulletin no.12 of 2007, in which, separately occurs a new field called „real financial activities, renting and services for enterprises", for 2005, 2006 and 2008, activities included in the reports of 2005 and 2006, in global chapter called „services" (monthly statistical bulletin no.1/2006 for 2006 and no.12/2006 for 2006. Until the end of 2004, in the reports regarding GDP formation were taken into calculation „Services of financial intermediation", representing the balance between interests cashed and paid by credit institutions, this sum being always noted with minus and was decreased from GDP.

According to the report at the end of 2007, the category „other services" includes activity of general government and defense, education, health, social assistance and other services rendered to the population. It would be interesting to find out that VAT was paid for value added by services in columns 9 and 10 of table no.3-b, which taxes on salary income, retributions, increases, bonuses and others, were paid, which taxes on profit, benefits and earning from stocks and shares exchange were paid, which taxes were paid for transfer of professional sportsmen and commissions cashed, as well as salaries and bonuses of footballers and bets related to them, as well as social insurance contribution should be checked and paid. Also related to insurance, it should be noticed that if state, as employer of employees from column 10 in the same table.3-b, paid health contribution for his employees from non-fiscal budgetary funds or collected respective amounts by higher taxes and health contributions from production employees.

In 2007, Romania exported products amounting to 39.663.4 million USD (24.24% of GDP), while industry achieved a production of 38.403.7 million USD (23.47% of GDP) and in agriculture 10.864.9 million USD (6.46% of GDP), also including production of self consumption evaluated in virtual lei (imaginary) and together 49.252,3 million USD or 30.10 % of GDP! After out of 69.90% of GDP net taxes11.15% is decreased, remain 58.75% of GDP which were obtained in the other fields (table 3-b, line 3). If of those 58.75% we decrease the contribution of 23.06% of GDP of service sector (in which belong trade, transport and communications, hotels and restaurants) remain 35.69% of GDP including 9.11% construction (of which we appreciate that about 4% are speculations) remain 26.58% of GDP comprising bank activities, earning at stock exchange, real estate speculations, renting and others, amounting to 13.20% of GDP (col.8, table 3-b). Rest of 13.38% represented activities of collective services such as, army, education, health, police, justice, central and local administrations, namely fields

financed by state from budget whose income are constituted from money collected by taxes from the population. All growths of prices and tariffs and all growths of salaries for budgetary employees, supported the government to obtain GDP growths being proud of! Even if consumers paid more expensive everything bought, from food to energy, from gas to housing maintenance.

Weight in % of sectors and fields of GDP achieved during 2005-2008

Year	Yearly GDP achieved million lei	Agrariar sector	Industrial sector	Agrarian sector + Industrial sector		Construction	Trade,transport hotelsrestaurants,	Services Financial, real estate activities, renting.	Other activities and services	Sum col. 6+7+8+9 (construction+services)	Value added	Net taxes
		% GDP	% GDP	% GDP	Million USD	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
0	1	2	3	4	5	6	7	8	9	10	11	12
2005	98.565	8,43	24,64	33,07	32.595,4	6,41	21,61	12,86	14,36	55,24	88,31	11,69
2006	121.609	7,81	24,27	32,08	39.012,2	7,43	22,43	12,99	13,34	56,19	88,27	11,73
2007	163.629	6,63	23,47	30,10	49.252,3	9,11	23,06	13,20	13,38	58,75	88,85	11,15
2008	182.924	6,46	22,85	29,31	53.615,0	10,54	23,26	12,63	13,56	59,99	89,30	10,70
Total	566.727	7,53	24,06	31,59	179.029,0							

How population would live, if exports were higher than the whole value of industrial production? Reply is simple: with imported goods amounting to 68.691.8 billion USD, of which 29.028.6 million USD (17.7% of GDP) on debt (table 1).

Taking into account that all services cumulating the achievement of 58.75 % of PIB, rely their existence on the sectors agrarian, industry and construction, any internal or external deregulation which block these sectors or cause their disappearance, makes not useful the existence of service sectors in columns 7-9 in table 3-b.

Supported with cash by none taxing (none taxing the speculative earning) and massive tax reductions (few quota), plus others unknown to public opinion because of secrecy measures set up secretly by the last ones plus advantage to import with debt, which should be paid after a while, paying an interest (when respective sums are multiplied in other business), measures applied changed the national economy into an annex of a minority. In order to support their cause and bureaucracy, rich becoming ministers took care permanently to increase monthly income of this bureaucracy paid from budget, reaching the revolting situation, that state, when industry and agriculture reached to achieve less than 1/3 of GDP, allows to pay and most of high salaries for some of its employees.

Conclusions

After strong des-industrialization, applying since 1997 the "shock therapy" and less about 3.7 million jobs, Romania cannot live with debts, hand selling the future of today teenagers and children. To return those loans, interests will become double or triple until return, reaching probably 200 billion USD.

If this policy is not ended, concerning „living on others money", it is not excluded that many years since now Romania should have to pay yearly external debts of 10-15% of PIB and, therefore, to need the increase the budget tax amount to over 50% of income.

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