The Main Causes and Ways of Decreasing the Economic Crisis in Romania

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Abstract

The paper deals with the implications of fiscal policy based on the single taxing quota, and also the imbalances between import and export on the economic crisis in Romania. Based on the statistical data, it is emphasized, on the one side, the international experience of professor Arthur Laffer' s theory application at the developed capitalist countries and the ways they acted for eliminating the registered negative effects. On the other side, it is underlined the effects of applying this theory on Romania's economy and the effects of reducing big taxes and the high increase of foreign trade deficit.

Finally, the conclusions are outlined and the main solutions which must be applied are shown, solutions necessary for the development of the national economy in the following period.

Keywords: *Laffer curve, single taxing quota, fiscal revenues, marginal taxes, foreign trade deficit, economy disindustrialisation.*

JEL classification: E24, E64, F16.

1. Preliminary considerations

In the economic specialized literature, there are many comments and appreciations regarding the causes of economic crisis in Romania and the most well suited solutions for going out of the crisis. In the present article, we thoroughly deal with the implications of the single taxing quota introduced in Romania at the end of 1997, as well as the increase of these implications as a consequence of the rise of the foreign trade deficit. "There was a huge gap between the wealth desire of the population and the necessary standard for gathering the personal incomes that the people could use to cover the basic needs". (Fota, Bacescu, 2009:13)

It is well known that the reduction in 1997 of the single taxing quota concerning high revenues by 20% (from 60% to 40%), as well as the introduction of the single quota in 01.01.2005, which continued the reduction by 24% of the

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taxes, assure the people with big incomes, even higher incomes in comparison to 1996, equal with 44% from their gross value.

Normally, these measures should have led to an increase of production and consumption, but according to the National Institute of Statistics' statement from 9 June 2009, regarding the GDP evolution in the first quarter of 2009, this was 96.521 million lei current prices, decreasing – in real terms by 6.2% in comparison to the first quarter of 2008.

The biggest reductions of the activity volume registered in agriculture, forestry and fish breeding (-10.9%) and in industry (-11.1%) in comparison to the first quarter of 2008. In the same quarter, the domestic demand went down by 13.7%, especially because of the reduction by 9.1% of the total final consumption. The final consumption of the population decreased by 12.3% as a reduction of the retail goods volume (-16.0%) and services for the population (-5.4%). The truth is that "rich people were offered both a non taxation of some parts of their monthly income and also the advantage to obtain money from imports on debt, amounts that totalize almost a fifth of GDP". (Fota, Bacescu, 2009:69)

2. International experience

In order to introduce the single quota, its supporters took into account a theory elaborated by the American Arthur Laffer (USA senator from California state), who spoke to Ronald Reagen about the theory of supply and the connection between fiscal revenues of the national budget and the medium quota of incomes taxation, using a graph representation known afterwards as Laffer curve.

According to the American professors Samuelson and Nordhaus (1995), "the essential argument of the school focused on supply was that the negative effects of high marginal taxes were responsible for many drawbacks faced by the American nation – low savings, recession, stagnant productivity and high inflation". Inspiring from the theories of professor Robert Mundell from Columbia University, this group (Reagan advisors from 1980, n.n.), emphasized the importance of low marginal quotas for obtaining high performances. One of the analytical tools introduced by this group was Laffer curve, represented by fig. 1-a.

The first conclusion, from observing the form of this curve, is the following: at an income equal with zero, the tax quota is null. Whether the tax is due to reach 100%, nobody will accept to work freely and as a consequence the tax that the state could cash will also be null. Presenting the curve as being a normal statistics distribution (central and flat as a bell section), it was easy for the uninformed persons to draw the conclusion that there is a maximum correlation point between revenues and taxing quotas placed in M point from the top of the curve fig. no.1-a, named by the author as being the maximum taxing quota. From this position of M point, it also results another conclusion that supported the lobby authors theory of supply and namely, that any of the points situated on the branch from the M point right on the curve (such as for instance, point A) led to a decrease of the budget revenues size, that could be also obtained from applying lower quotas.

According to the authors Michael Burda and Charles Wyplosz (Macroeconomics, 1997), “Laffer curve does not have a clear application, because its most important detail is not known, the location of M point. At the beginning of the 1980, Laffer stated that USA exceeded this point and, as a consequence, it was decided the reduction of fiscal system, but in reality, the revenues from taxes decreased”.

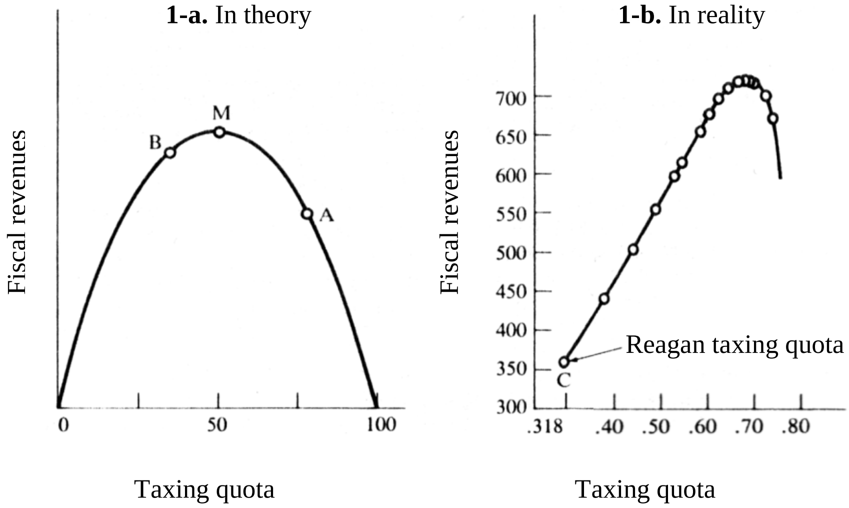


Figure 1. Laffer curve, that during peace, represents the correlation between taxing quota and fiscal revenues of a national budget
Source: P.Samuelson and W. Nordhaus,, *Economics*,
Überreuter Publishinh House (german), Vienne, 1998

In the article named „Relationship between Tax Rates and Government Revenue” in Journal of Public Economics, from October 1982, professor Don Fullerton from Virginia University in USA showed, after examining many econometrics stages regarding the variation of work volume, according to the taxing quotas, that the maximum revenue point is placed at the right side of the taxing quota (31.9%) introduced by Reagan administration (C point from the right graph fig.1-b).

“Any reduction of taxes paid by the employees, Samuelson and Nordhaus wrote in 1995, will generate an almost proportional reduction of fiscal revenues”.

Professor Laffer “supposed” only a maximum (M point from graph in fig.no.1-a) of 50%. The supposition, that “proved to be false finally” (Samuelson and Nordhaus, 1995), damaged not only USA government that had to borrow money (“in the 80s, USA became, from the biggest creditor of the world, the biggest debtor”).

An avoidance of the society division in rich and poor is neither acquired by a single taxing quota, nor by the unlimited rise of the salaries in the budget consumers field. Whether this long discussed single quota would have had the merits granted by the Romanian supporters of liberalism, become over night state people in Romania, why wasn't it applied by USA and England too? Follow the graph in fig. 2, where it is presented the evolution in the 20 century of the revenues taxing quotas in USA. Because of the high budget deficits, that occurred continuously after the reduction promoted by Reagan, Bush-senior government that followed was obliged to increase it to 31% in 1990. As the deficits went on in the following administration, based on the law of reducing the budget deficit in 1993, Clinton administration promoted another tax rise, this time being 41% of the income. In comparison to Reagan and Bush senior administrations, that supported the increase in the military expenses and the reduction of civil expenses, Clinton administration reduced by law the military expenses, rose the taxes of the rich people, increased the maximum taxing quota and offered the possibility of giving not repayable credits to poor people (Samuelson and Nordhaus, *Economics*, 1995).

As it can be easily noticed, the information that go worldwide (and also in Romania) about the amazing effects of a minimum income tax quota, introduced by president Reagan are not real. Reagan trial from the United States also created high budget deficits, that could be stopped only by a direct increase of the income taxes.

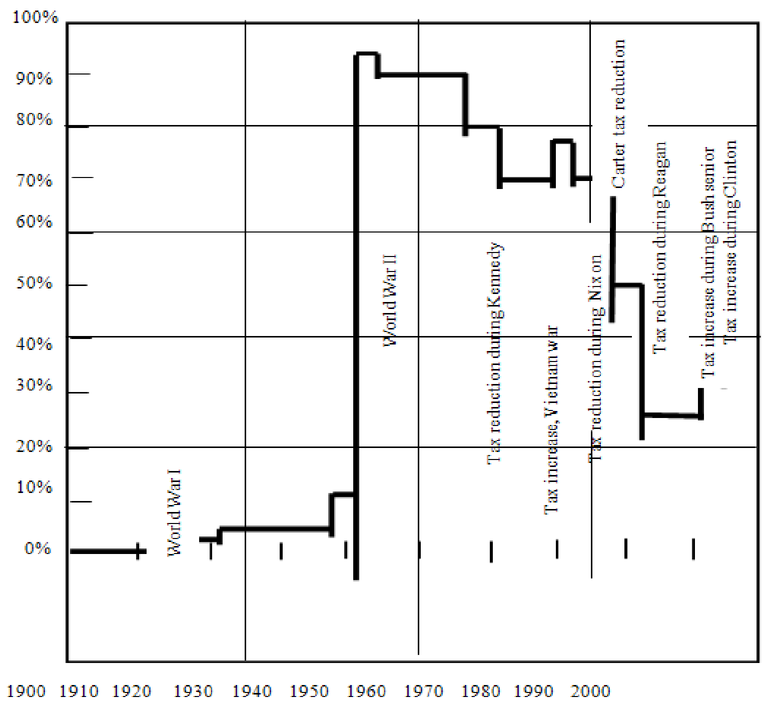


Figure 2. Evolution in the 20 century of the maximum tax quotas in the United States
Source: P. Samuelson and W. Nordhaus, *Economics*, edition 15, 1995, translation in the German language

In table.1 it is shown the situation of the marginal taxes (minimum, col.no.7 and maximum in col.no.8) as they were in 1982 (before Laffer) in nine developed countries, from which eight finished until the industrialization and they found themselves at a level of general development and wealth, envied by everybody, including the ex-socialist countries.

For the population with low incomes, all these countries established a sum of their annual revenue that is not taxed (col.6 from the table), a sum which increased at the same time with the number of family members which lived from the same income. The marginal taxing quota represents the tax paid for each hundred dollars earned over the annual income that is not taxed.

According to the American professors Samuelson and Nordhaus, in 1995 (Clinton administration) the marginal taxing quota was -19% for the poor families and +15% for the persons from the tax area. For the incomes higher than 25.000dollars a year, the marginal taxing quota was 41%.

Table 1. The marginal taxing quotas applied in 1982 on the single persons incomes in nine developed countries

No. crt	Country	Economic power expressed by GDP/inhabitant		Annual income not taxed	Marginal taxing quotas% from the income		The sum from which the maximum tax is applied
		Year 1980	Year 1985				
		dol/ inhabitant	dol/\ inhabitant	Dm/year	Min.	Max.	Dm/year
0	1	2	4	6	7	8	9
1	England	7.920	8.390	5.624	30,0	60,0	123.400
2	Austria	10.230	9.150	2.992	23,0	62,0	209.800
3	Denmark	12.950	11.240	4.751	37,4	62,6	47.300
4	Switzerland	16.440	16.380	3.132	5,1	44,8	131.300
5	France	11.730	9.550	7.992	5,0	60,0	53.700
6	Germany	13.590	10.940	4.400	22,0	56,0	130.000
7	Italy	6.480	6.520	780	23,6	76,2	1.188.000
8	U. S, A.	11.360	16.400	1.850	15,7	74,2	200.300
9	Sweden	13.520	11.890	3.011	30,0	87,0	74.100

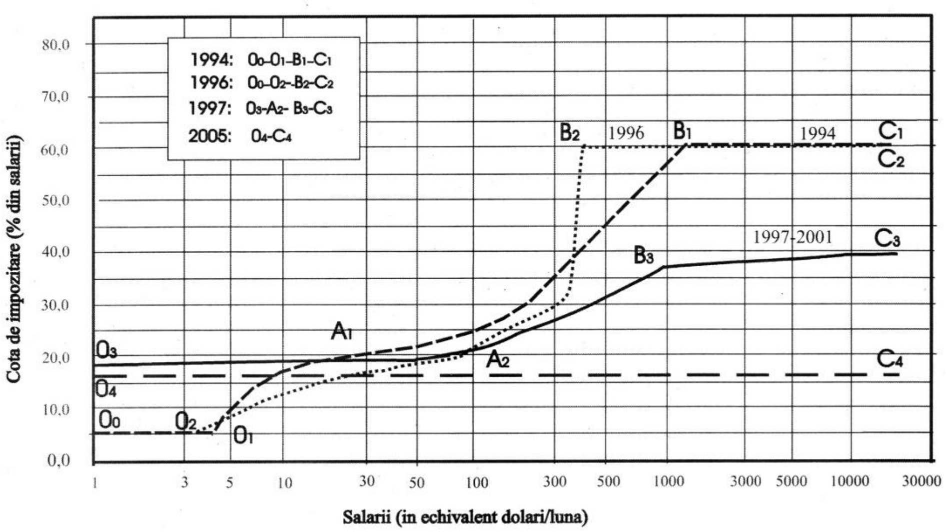
Source: Die Wirtschaft heute, Bibliografisches Institut, Mannheim, 1984 and Fischer Welt Almanach, Fischer Verlag Pubishing House, Frankfurt am Main, 1983 and 1985.

Note: At the euro introduction, 1 euro = 1,95583 Dm = 0,8480 dollars

3. Romanian experience

Despite the fact that in 2005, Romania did not have even 10% from the wealth of the nine countries in table no.1, the government however introduced the single taxing quota of 16% of the revenues, thus realizing the equality of the country inhabitants in the size of their obligations towards the state. At a salary equivalent in lei to 50 dollars, 16% means 8 dollars/month. At 1.000 dollars, 16% means 160 dollars tax, while at 10.000 the tax is 1600 dollars a month, in comparison to 4.000 dollars as it was in the previous law (see graph 1).

The emergency decree, that introduced this single quota in Romania, was published in the Official Monitor no. 97/28.01.2005.



↑taxing quota (% of salaries) salaries (dollars/month)→

Figure 3. The curves for establishing the quotas of income taxing between 1994-2005

As it is above mentioned, we can state that professor M. Bulgaru was right when he said: “Humankind has evolved nowadays without a certain strategy, meaning that our civilization was deceived by scientific and technical progress”.(Bulgaru, 2011:249)

4. The accumulated effects of reducing the taxes on high revenues and the huge increase of foreign trade deficit

The values of imports on debts consumed in the country by purchasing on money by the ones who can afford this luxury, are indicated in column 3 from table no.2, while the value in million dollars of the governmental present (by reducing the taxes from 60% to the single quota) made to the people who earn very well, is presented in col.no.5, and in column 7 it is indicated how much the taxes on high revenues are reduced due to the single quota. If the sums of money from column no.5 in the same table, represent firstly the money that the state loses from the budget, at the same time they make up the earnings by non taxation of the rich people or with high or huge incomes. The values in column no.3 represent, at their turn, the values of imports made on debts and consumed, but not paid to the external creditors, sums that will have to be given back to the creditors in the next years. By means on imports on debts, the sums of money bring to the creditors other sums of money, due to the fact that the money is used until paying it back by importers in order to increase it by extra revenues that will result from the closed businesses.

Table 2. The size in million dollars of extra consumption between 2005-2008

Year	Total GDP made	External deficit Import – Export (CIF - FOB)		Reductions of taxes applied in 1998 and 2005 for the persons with high incomes				Extra consumption /year (col.3+col.5) of the rich	col.9 / col.2
				from 60% to 16% between 1998-2008		from which the single quota between 2005-2008			
	million dollars	million dollars	% GDP	million dollars	% GDP	million dollars	% GDP	million dollars	% GDP
1	2	3	4	5	6	7	8	9	10
2005	98.565	**-12.417,1**	12,6	**7.776,8**	7,89	**3.824,3**	3,88	**20.193,9**	20,49
2006	121.609	**-18.719,5**	15,4	**9.594,9**	7,89	**4.718,4**	3,88	**28.314,4**	23,28
2007	163.629	**-29.028,4**	17,7	**12.910,3**	7,89	**6.348,8**	3,88	**41.938,7**	25,63
2008	182.924	**-31.529,2**	17,4	**14.432,7**	7,89	**7.097,5**	3,88	**45.961,9**	25,13
Legisl. 5	**566.727**	**-91.694,4**	16,2	**44.714,7**	7,89	**21.990,0**	3,88	**136.409,3**	24,07

"Taking into account the disastrous economic accomplishments of the Romanian segment that produces for the market, where there are 4.374.100 employees, demanding high incomes and high living standards as in the west, is completely wrong". (Fota, 2007:391) Therefore, instead of arrears and not paid credits, the Romanian business people found the solution to support the government, not only to increase their capital and benefits, but also not to produce arrears or damages by not giving back the credits.

The GDP from 2008 was equal with almost 182.924 million dollars, from which 7.89% make **14.432,7** million dollars/year, from which the benefit from the single quota totaled **7.097,5** million dollars. Adding to this sum the foreign trade deficit of **31.529,1** million dollars (col.3), the size of the help given by the state to rich people in 2008 was **45.961,9** million dollars, equal to 58,48% from the value of all the imports from the same year (table no.2). The total sum of governmental presents (col.5) was **44.714,7** million dollars in four years representing 7,89% from GDP, from which **21.990** million dollars (col.7) by the single quota of 16%. Practically, rich people in Romania benefited in four years of the possibility to use, for their own purposes, the sum of **136,409** billion dollars (col.9 line 5).

Why do we call a present the deficits of import-export, when the respective sums are to be given back to the creditors? The imported goods are regularly consumed in the same year with their purchase, or the next year. After cashing and until the returning date, the money from these deficits is used by importers as circulating funds, as speculative funds and not lastly, as investment funds, that they also bring an extra income to those who use them. Regularly, these investments with doubtful financing are made in other country than the importer country.

In order to fill the empty space from the national budget by reducing the taxing quotas of salaries and high incomes, Romania governments invented and introduced all kinds of taxes paid worldwide through consumption.

How did the government recover for the budget this minus from the revenues in 2006, for instance? By dividing the sum of 9.594,9 million dollars since 2006 (table 2), to 21,584 million inhabitants of the country, it results an annual burden of 444,54 dollars/inhabitant, that divided to 12 months means 37,04 dollars/month for inhabitant, that in Romanian currency during that year, represented 104,29 RON/month.

A family of old people who live out of one pension of 100 dollars/month, paid to the state because of the new taxes an extra 74 dollars a month. A family with only one employee made up of four members, out of whom only one cashes monthly 300 dollars, had to pay to the budget an extra of 148,16 dollars a month (i.e 416,7 RON), while the reduction of the taxing quota brought an extra of 30 dollars (84,4 RON), as before 2005, the tax for 300 dollars was 26%. At the same time, a businessperson with a four member family, has to pay almost the same amount of 148,16 dollars for 4 persons, although his monthly income exceeds 10.000 dollars, and due to the reduction of the taxing quota, the state made him every month a present of 2.400 dollars (6.750 RON). This fiscal policy, as it is sustained by the ones who accomplished it, realizes for the first time in Romania' history the equality in obligations for all the country's inhabitants. From the richest to the poorest, from the new born baby to the oldest, from the best paid footballer to the unemployed etc.

If we take into account that according to the European System of Accounts ESC 1995, a part of annual GDP is made up of the value in imaginary money, that is used neither for payments nor for paying taxes, only a certain category of "privileged of the unequal distribution of national income" take advantage of the benefits regarding the amounts corresponding to the medium percentage of 24,07% from the four years GDP in col.no.9 last line. Keeping this taxing system is discriminatory for 85% of the country's population. The only beneficiaries of the incomes achieved form the poor system application, introduced by the reduction in two stages of the high taxing quotas and the single quota, make part of the employers and employees category, who besides the fact that they cash the whole income resulted from the value added tax, they also benefit of the direct taxes reductions decided at the end of the 1997 and 2004.

Whether at the extra consumption of imports on debts, valuing 91.694,4 million dollars produced between 2005-2008, we add the amount of 44.714,7 million dollars representing the size of the "presents" acquired by reducing the taxes on high incomes from 60% to 40%, and then from this quota of 40% to the single quota of 16%, we reach the amount of 136,409 billion dollars/economy, which explains clearly why during the last years in Romania, rose so much the number of cars, private jets, helicopters and yachts, the number of houses, villas and apartments in luxury blocks. And you should not forget that this money was not "stolen" but donated by generous representatives of the state, by adopting laws favorable to certain minority, benefiting from the lack of interest of trade unions Federations and Confederations, non-governmental organizations and Foundations which pretend to be “the civil society”.

Therefore, we can say that “a rise in income can worsen the situation of the commercial balance by increasing the imports”.(Bacescu M., Bacescu Carbunaru A., 2005:368)

By analyzing the data in table no.2, it results that every year from the four years ended at 31.12.2008, Romania government created the conditions for a small part of the population to benefit, for their own and their family consumption, of 20.193 billion dollars extra in 2005, of 28,314 billion dollars in 2006, of 41,939 billion dollars in 2007 and about 45,962 billion dollars in 2008, when the foreign trade deficit represented 17,4% of GDP.

Taking into account the fact that the amounts of money in column 3 and column 5, table 2, are represented only of real money, we should understand that, practically, a higher percentage of national income in real money, is in fact the amount that the government gives annually to rich people.

As, at least 30% of the annual income is virtual money, that can not buy or pay anything (if, of course the National Bank do not print the currency that cover it), that means that from the 566.727 million dollars, representing the GDP made in the last four years (last line in column 2, table no.2) only 392.289,8 million dollars is real money. Therefore, the amount in column 9, last line equal with 136.409,3 million dollars, represents 35.44% from the total of real money, that means more than 1/3 from the total national income. If we also add the monthly incomes cashed by a lot of the state clerks and the huge pensions of some ex-clerks, we should understand that Romania has lately become the country where offences should not be taken into account as the damages produced by them are lower than the value of the present made to the state clerks, after 2005.

If we compare these amounts with the agriculture contribution to the country GDP in 2006, we will see that, practically, all that was made in agriculture (including the imaginary money), sector where over 4 million people work, represents only the third part from the present of 28.314 billion dollars given to the rich people that year.

In such a situation, people who hold in society a more advantageous position to get rich, received since 01.01.2005 by law, the possibility to consume a certain part, representing annually more than a third of GDP total value. Does anybody know in Romania, how much money the IRS recovered in 2006 or 2008 for the Budget, or the damage valuing billion or million dollars? If we subtract the respective sums from the total of 28.314 million dollars, you will notice that the high society in Romania is not allowed to “steal” because the government and the parliament donate by law an amount higher than the GDP achieved in 1991.

Conclusions and solutions

"The most important thing is the fact that, the need to reduce unemployment, imposes for the politicians to adopt a strategy for increasing production by all the measures of monetary and fiscal policies".(Bacescu M., Bacescu Carbunaru A., Dumitrescu F., Condruz M., 2008:401)

Adopting a decision of giving up the single quota, could have brought to the country budget in 2009 an amount of about 6 billion dollars (taxes paid by oligarchs, some of them being in the government), that might be used by the country's government, without being necessary to borrow 5 billion from the National Bank and gives the possibility to finance the reindustrialization of national economy and the support of agriculture.

The first result of banning in 2009 the foreign trade deficit, was to hinder the FOB-CIF deficit of about 20 billion dollars (10% of GDP), taken into account by the budget project from 2009 and allowed the increase of GDP, with an added value of about 10 billion dollars by promoting the domestic production. And practically, this measure meant working places and more salaries, i.e extra incomes that sustained the increase of domestic consumption and production.

As a result of the interests of those who wish a market for imports, in a country like Romania, the disindustrialisation of national economy let both 3.7 million unemployed people and a primitive agriculture with 42.3% from the country workforce, and also produced a deficit of foreign trade totaling 142.048,9 million dollars between 01.01.1990 and 01.01.2009, resulting from the difference between a total of 430.501,5 million dollars imports and a total of only 288.453,0 million dollars exports. From this trade deficit, the sum of 50.354,5 million dollars was proposed in the first 15 years after 1989. According to BNR report in 2004 at 31.12.2004 Romania external debt was 18.119,6 million euros, at the exchange rate 1.2419 dollars/euro, meaning 22.582,7 million dollars.

The explosion of trade deficits with the other countries started to increase since 2003. From the total of 142 billion dollars foreign trade deficit, consumed but not paid abroad by importers, the sum of 91.694 billions was achieved in four years (2005, 2006, 2007 and 2008). During these years, some of the country's inhabitants consumed more than they produced, goods imported on debts valuing 12.417,3 million dollars in 2005, 18.719,5 million dollars in 2006, 29.028,6 millions in 2007, and in 2008 it reached the level of 31.529,2 millions. "Financial crisis increased the volatility on the monetary and foreign exchange markets and tends to slow down the economic activity. On the one hand, external financing reduction and the existence of large external imbalances have triggered the devaluation of the RON, which feeds inflation and make necessary a relatively high interest rate".(Savu, 2011:1018)

What could Romania export for obtaining the currency necessary to give back the part of foreign trade deficit, that could not be covered by the currency earned abroad by the "strawberry pickers", bricklayers, nurses, janitors, constructors etc? The size of this debt (deficit minus inputs through current

Account) returned in 2009, for instance, is 21 billion euros, the state debt being 15% (3.15 billions, from which 1.5 billion public debt), and the rest of 85% is private debt from which the banking system needs 17.85 billion euros (or 25.9 billion dollars). Where could the foreign currency be taken so that the importers could change it into lei? As the respective foreign currency is not printed by the National Bank of Romania. The hope that the big debtors belong to foreign chains of goods markets or auto dealers is not sure. If they do not have other solutions, they will address to the services of the Romanian commercial banks, that could not refuse them. In some cases, it is sure that the debtors will appeal to speculators, and those will rise the price of the required currency, so that the exchange rate of 5 lei/euro, that frightens now, could be exceeded and the damages will be felt by all the country's inhabitants.

And another issue arises. What will BNR and the Commercial Banks do with the lei equivalent of the debt in 2010 entered in their account by selling the necessary currency to the importers to pay their debt? If they do not take them back from the market, it means another inflation. Or, in the current situation, an inflation ruins any rules, because it means, firstly, high interests at the credits that the producers have to take every month for their current production (raw materials, energy, salaries) and investments. And if the interest exceeds certain limits, the industry, agriculture and services (transport for instance) stop their activity. Afterwards, it will follow dismissals, debts, the impossibility of payment, bankruptcies etc. And all this happened because we like more the bread from Hungarian flour, the apples from New Zeeland, the flowers from the Netherlands, and the meat full of hormones from USA.

These are practically the main causes of the crisis that threaten the existence of Romania national economy and all the inhabitants that live and work here. "Romanian's economy could not develop by creating small islands of wealth and where there quarters of the population live on the brink of poverty". (Fota, 2010:75) The fiscal and monetary policies imposed by IMF "lead to the bankruptcy of thousands of enterprises, both with private and state capital, lead also to the malfunctioning of financial and economic flows and therefore to the financial blockage". (Bacescu M. Bacescu-Carbunaru A., Condruz Bacescu M., 2012:74)

The government should ban immediately the imports on debts and give up the single quota, as more than 6 billion dollars paid as annual direct taxes by the people with high incomes from the country should become income to the national budget, instead of the taxes that empty the pockets of the people with low and medium incomes and their consumption. Of course, it will not be easy for the actual government to decide willingly at the 24% of the income that the previous government gave as present to the rich by the single quota of 16%, introduced in 01.01.2005.

It is very surprising that during 22 years, the state people and political ones in Romania did not notice that without domestic consumption of all the country's inhabitants, the national economy can not fulfill its objective. Or Romania is now a country where domestic consumption was destroyed, not only by applying the measures recommended by IMF and FESAL and ASAL programs, but also because of the errors provoked by voluntarism and the grabbing spirit of the new political members class. “Tax relief will boost economic growth and this could mean, on a medium term, an increase of the prosperity degree of the entire society, but correlated with a reduction in state spending”.(Juncu, 2009:1111)

And in such a situation, the first measure that should begin the national economy recovery, should be the balance of commercial exchanges with the foreign countries. Or this balance can be fulfilled only in time and only by applying the following three measures, namely:

1- Banning in two-three stages the imports of goods and products that can be produced in the country, in order to favor the restarting of the domestic production for creating new working places and the step by step stoppage of the imported merchandise consumption based on external credits, that will be given back with the contracted interests.

2- The strict framing of the imports in the total sum of the foreign currency receipts from exports. None of the institutions or public authority (therefore, budget consumer) should be allowed to make imports through the private institutions, but through a firm that should participate to the Ministry of Commerce and whose personnel should take salaries from the budget and it should also be controlled by the government. According to the mentalities from the latest 8 years, Romania needs such a regulation.

3- Importers inventory who have external debts and the drawing up of a reimbursement plan regarding the credits taken and paying the interests, including also a monitoring, in order not to make the firms they took credits, go bankrupt. For all those who can not pay their credits, it should be sequestered their fortune; it would also be necessary severe punishments that should discourage the fraud and the embezzlement; plus to deprive them of the election rights and the right to have a management position or to have a firm in the following 8-10 years after the punishment.

“The specific elements of consolidation of the administrative capacity for the absorption of the structural funds is affected directly and indirectly by these actions. From this perspective, it is difficult to anticipate the direction taken to achieve a more efficient absorption of the structural funds and also the way in which the economy will recover”. (Cace C., Cace S., Nicolaescu V., 2010:99)

And something else: the state must have the foreign currency in dollars or euros for paying the debts. Concerning this issue, this third restriction should regard both the economic agents that belong to the state or the public authority and also the economic agents from the private field. If we compare globalization with gravity “we have to accept it as a physical phenomenon that we shouldn’t blame or avoid; we have to understand it from the point of view of causes and effects”. (Condruz-Bacescu M., 2006:210) Only in this way, the 4 million employees who lost their working places owing to the production line closing, could assure again their own incomes, and the government could assure its revenues sources of the national budget; we also know that Romania GDP accomplished for 9 years can assure a normal living standard only for a quarter of the population.

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