

A SERIES OF OPINIONS REGARDING THE FUNDAMENTAL CURRENT PROBLEMS IN ROMANIA

Ioan BOGDAN¹

Abstract: *This paper approaches a number of problems regarded as fundamental for Romania as well as other countries at a time when the impact of the economic crisis and of the IMF loan are far from being conceptually and pragmatically delineated as solutions.*

We put forth the view that this devastating phenomenon – the crisis – has two distinct components: a real one, induced by the errors made, especially in the banking system, and a psychological component that concerns fear, the arbitrary restriction of activity, etc., and thus created as a result of a lack of knowledge. It is this second component, we argue, that has the greatest effects.

As regards the IMF loan, we point out that any loan made for consumption has dramatic consequences for the country and that any citizen only borrows money for the purposes of development; therefore, in the case of such a loan, the resources required for the payment of the loan are not created. Unfortunately, there is a dangerous ambiguity as regards this aspect of the problematic.

This paper deals, within a reasonable space, with these problems.

Key words: crisis (economic, social, and political imbalance with serious consequences); impact (economic, social, and political consequence of a loan); loan (the obligation that a conscious manager takes upon him/herself for the purposes of development); management (the primary mode of economic growth and solution to the economic crisis); state management (the management of the central institutions of the state).

x
x x

This paper has in view the implications of the current world economic and financial crisis and the considerable external debt of Romania, underway to being perfected.

1. Regarding the implications of the crisis

First of all we consider it necessary to make a clear-cut distinction between the crisis *per se* and the psychosis created around this destructive phenomenon. The distinction presupposes and allows the natural understanding, the treating and the management in a scientific manner of the two components, in the way present-day realities request it, in a distinct and particular manner. Thus, the entire

¹ Prof., PhD, member of the Academy of Romanian Scientists

“ammunition” used to counteract the crisis is built on a bed of sand and is thus destined to failure.

The first component is the real crisis, resulting from the errors committed especially in the developed countries (particularly due to the funds allocated without being based on positive, normal and proficient results). This series of errors, in our opinion, have little bearing in the ensemble of the crisis and those who committed the errors should suffer the consequences, the countries which made these errors having the moral responsibility to repair the damage they caused worldwide. However, we have to face the real effects of this crisis, meaning we have to face those effects that directly and seriously affect Romania. We have to convey a professional training to the population, the entrepreneurs, the public institutions, for a correct understanding of these effects and, most importantly, in order to establish the solutions which should be enforced and the means to counteract those particular implications. The solutions must take a scientific and realistic aspect, within strategies and programs elaborated in accordance with the very strict but elementary rules of management as a science, including clearly and without a doubt: the objectives, the resources, the desirable results, the responsibilities, the deadlines and the control options and especially the correct way of conveying the complete information towards the public in a timely manner.

The second component is a subjective one, generated by panic, by chaos, by an accentuation of the lack of trust between business partners, by the unjustified ceasing of the normal cash-flow and circuits, resulting from the errors which generated and accentuated the blocking for these causes exclusively of viable businesses, a component which is profoundly affecting the greatest number of entrepreneurs, destroying their markets, their business relationships, their production capacity, etc. This component affects precisely those who interrupted the cash-flows, that is, the banks which created in exchange a rush to attract liquidities with high interest rates but do not use them to create income and are thus running the risk to enter into bankruptcy and at the same jeopardize the deposits of their clients. At the same time, the investors running businesses which are still viable are, as we have shown before, blocked and thus they too affect the budgetary income, accentuating in a chain reaction the subjective implications of the crisis.

The basic economic relationship is destroyed: A. Cash – Production Factors – Processing – Goods and services (the satisfaction of the social need, as a main means of economical development) – B. Added Value, mainly meaning the rotation of the capital which, as we know, by acceleration, becomes the most synthetic and important indicator in management.

On the other hand, any crisis is a disruption in the normal functioning of the system in which the crisis manifests itself. Therefore, any crisis is a system crisis. It is the consequence of a brutal action upon that particular system which, according to the Theory of Systems, modifies the structure of that system, its relationships, its

objectives, its necessary resources, its results and its behavior in the macro-system within which it functions. The crisis may be analyzed scientifically and not chaotically only if one looks at its essence. Surpassing it becomes possible by means of a self-reorganization of that particular system. Unfortunately, on all levels of approach, this undeniable reality, extremely simple to understand, was and continues to be disregarded and treated accordingly.

The globalization of businesses and the transformation of the organizations into international ones are defining phenomena of the contemporary world. In the context of the malfunctions of the global system due to the brutal measures and interventions we mentioned above, the factors generating the crisis are unfortunately complicated and the irradiation of its consequences is amplified in unusual areas and to an unexpected degree. The very fragile contemporary global system was formed empirically, spontaneously, by means of a speculative act on behalf of the entrepreneurs who took into consideration the advantages brought about by new markets. In parallel, perturbing phenomena generated by other interests than economical and social perspectives and thus contrary to the requests of a normal evolution also intervened. Such phenomena affected the consolidation of the global economical system under development, opening an unprecedented wide field of action for the current crisis.

In making a synthesis of the psychosis aspects of the crisis, we must once again bring to surface the fact that in any business (it is a known fact that 90 percent of humankind makes a living from a business or is otherwise depending on business) the capital of trust between partners constitutes the main connective platform.

Mainly because of this psychosis component of the crisis, this platform was most severely affected. Recommencing a rebuilding effort of the capital of trust, at first slowly but surely and then extending it gradually, both in quantity and in quality, on a medium and long term remains the only measure to be promoted. However, we once again sadly repeat that this measure is not approached, not even at a conceptual level, although a delay in this sense may be fatal.

From another point of view, all these unbalances must be brought to order, while observing the principles of market economy, adjusted with the conclusions imposed by the crisis. This rearranging is unfortunately done chaotically due to the intervention of the states, especially the more developed ones which, through such interested maneuvers not only fail to find a solution to the crisis but also propagate its consequences towards other entities, especially toward the underdeveloped countries or those in transition. This aspect is not only immoral but also entirely lacking results because it does not lead to a self-reorganization of the global economic system affected by the crisis.

The globalization of businesses and the internationalization of the organizations will remain the main coordinate of this century. The phenomenon is defined as one which causes a certain status existing in a certain part of the world to irradiate by

means of its consequences and implications in other parts of the world, at great distances, its interdependencies implicating and affecting without a doubt everybody. This reality imposes a reorganization of the activity of all international and area entities in order to gain the capacity to stimulate beneficial and sustainable evolutions towards a self-reorganization of the global economic system. This is also realized by means of an attenuation of the crisis and the severe problems existing nowadays: the crisis in resources, pollution, poverty, corruption, terrorism, armed conflicts, etc.

2. Regarding the loan and the agreement with the IMF

This is beyond doubt another current fundamental problem of Romania which is also in our opinion not approached in a direct and scientific manner and most importantly, it is not approached from the perspective of the national interest in order to fundament a decision which should respond to the needs and aspirations of the Romanian people which has been so severely tried by history and on the shoulders of which and to the expense of its living standards a huge part of the state debts accumulated especially after 1990, a people bound to be enslaved without precedent even further unless a leap from this state management conception is made, forming into a serious threat towards the already low life quality and the abnormal position of Romania among the modern states of the world.

For instance, a fundamental obligation was that of keeping people informed regarding the results of the debts taken in by the state so far and more importantly what the people gained following this debt, the real and current amount remaining to be paid, the deadlines and the manner in which the reimbursement of the debts will be observed and also how this affects the population. This type of information which was neglected for the past 20 years (putting it mildly) contributed decisively to the deterioration of the economic and political climate, to the lack of responsibility in the management of a field rejoicing the highest interest on behalf of the population and on a national level, was replaced with scarce information made by “a series of analysts” more in search of a good image for themselves than seeking to convey correct information. Although large public funds were spent on various scientific researches, studies and papers, one more ridiculous and useless that the other and many bringing serious damage to the image of Romania, they failed to allocate the minimum funds necessary for the creation of a national official structure which has the role of informing systematically, directly and without mistake regarding the way in which the effect of every new debt affect the economical and social life of the country, of the citizens and most importantly information regarding the responsibilities resulting from the errors which occurred. It was not only a moral obligation but a responsible, efficient, state management system, an efficient instrument of economical and political culture. The existence of such a system would have naturally been a scientific and practical platform for

those who are now assuming the mission to define, analyze and approve the loan and agreement with FMI but also a serious warning impeding past errors to reoccur.

If this hasn't been done so far, it is high time that such a measure is taken in order to make possible the elaboration of such works and notifications, starting with the actions of the last government and going back to 1990.

As regards loans, a number of things, concepts and traditions are already widely known. A loan was considered to be welcome if contracted by a good household keeper who can put it to use for development, progress, prosperity, the creation of a better image, giving birth to fresh perspectives which are equally efficient.

Discussing about loans, an important Romanian high official who lived between the two world wars stated that loans are similar to rain which, if it falls on the right land, enriches the owner, but if it falls on the wrong land, it can ruin it. The Romanian people, Romania, has always been a fertile land but unfortunately good "household keepers" to lead it were very scarce. We hope that in these crucial times for the country and given the above warning such good household keepers can surface, for Romania never really lacked such persons, but they couldn't act according to their will due to the impostors that took their place.

Very aware of how exposed we are, we hereby convey a very serious and responsible warning that any relationship between the loan agreement with FMI and the consumption which does not lead to an added value, in order to avoid losses, and does not ensure economical and social development as well as secure resources for the reimbursement, resulting from its use, is a serious error (putting it mildly) at the expense of the Romanian people in a situation in which its general living standards are, as we have shown, at a critical level, close to alarming.

From this perspective we are conveying a firm and justified opinion regarding the need to cease any sterile discussion on this fundamental option of the Romanian state and the belief that we should judge matters from the point of view described above, not a theoretical one, not from a story-like point of view but by means of concrete strategies and programs which should convince any Romanian that the government is working to the benefit of the citizens of this country.

We believe that it is high time that we summon those who take decisions on behalf of the Romanian citizens to acknowledge their responsibilities, not only political in nature, and act accordingly and we hope that at least on this occasion they will honor and respond in a realistic and complete manner, taking into account the widest national interest. Consequently, this people should not carry the burden of any further debts from which we have nothing to win, else we will witness a real and serious crime which injures directly and severely the national interest, the fundamental interests of the present and future generations, for a very long time.

We repeat in all clarity that we are referring to calculations, solutions, programs, strategies, which should demonstrate without a doubt and without the possibility of denial that this loan agreement is beneficial exclusively for the country and for the

Romanian people. We only request that the components of the management process, defined in management as a science and mentioned above, be applied in this fundamental state management act: the objectives, the resources, the expected results, the deadlines for implementation and, in the present case, the degree to which the national interest and the interests of the Romanian people are served, all these put in writing in a controllable elaboration.

As it demonstrated throughout history, the Romanian people has unsuspected availabilities to understand the difficulties through which the country is going through, the sacrifices it needs to undergo, even in the difficult situation in which it is found from the point of view of its life quality and the gap separating us from the rest of the EU countries, under the condition that the citizens are correctly and completely informed and those who take decisions assume their responsibilities, in a credible and controllable manner.

The management based on economical, social and political criteria of high efficiency and responsibility of the public debt was and remains one of the fundamental meters for the evaluation of the state management performance and the real responsibilities of those who have to answer to the Romanian citizens and represent them and accordingly this level of top management must be reorganized and brought to an efficient level, as the most synthetic and refined expression of honoring national interest and the justified aspiration of the citizens.

REFERENCES

- [1] Ioan Bogdan, *Management financiar în afaceri*, Ediția III-a, Editura Universitară, București, 2008;
- [2] Ioan Bogdan, *Managementul riscului în afaceri*, Editura Universitară, București, 2009;
- [3] Ioan Bogdan (Coordonator), *Tratat de management financiar – bancar*, Editura Economică, București, 2002;
- [4] Dionysius Fota, Marius Băcescu, *Criza economică din România anului 2009*, Editura Universitară, București, 2009;
- [5] George Soros, *Criza capitalismului global*, Editura POLIROM - Arc, 1999.