

Will Romania Overcome Underdevelopment

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Abstract

Human Development Index is used to compare the life expectancy, literacy, educational systems and welfare of population from different countries. The instrument offers the possibility for more accurate analyses than GDP, focused especially on financial situation.

*The paper analyses the situation of Eastern Europe countries, with special focus on Romania, according to the data available in the last report, **Human Development Report 2016: Human Development for Everyone**. Using a comparative approach with the developed countries, the article points out the progresses made in the last century in the field of those economic and social indicators, especially after the accession to EU.*

In conclusion, Romania is currently occupying a much better position in terms of economic indicators than in terms of the social ones, which makes gradual economic evolution not to affect all social categories, causing a strong social polarization, becoming one of the most uneven countries in the European Union.

Key words: Human Development Index, life expectancy, educational attainment, social inequalities, welfare

J.E.L. classification: N300

1. Introduction

The Human Development Index is a comparative measure of life expectancy, of literacy, quality of education and of living standards. The index is used to analyze a country's level of development, being more useful than gross domestic product per capita, which measures only material prosperity and does not take into account other important social indicators. The index was invented by Pakistani economist Mahbub ul Haq and is updated for most United Nations (UN) member states each year by the United Nations Development Program (UNDP) and published in the Human Development Report. The latest published report is the one performed in the year 2016, namely *Human Development Report 2016: Human Development for Everyone*, which uses existing data from the year 2015. In 2016, Romania had an HDI of 0.802, meaning that our country encountered, for the first time, a very high degree of human development, being ranked the 50th in the world.

The questions the article tries to answer are the following: How has our country managed to get up to this point, how do we stand as compared to other Eastern European countries and what do we need to do in order to overcome the threshold of underdevelopment?

2. The economic development in the last 100 years

Development studies have shown that this is not only about economic growth, but also about improving the quality of life of the population. As concerns the longer historical periods, such data are difficult to obtain, holding disparate data regarding indicators, such as education, infant mortality or life expectancy, especially for economically underdeveloped countries where little research on these issues is performed. However, existing data allow us to create a general picture of the economic and social development that Romania has undergone in the last century, starting from the creation of Great Romania and continuing up to these days.

Although a century is too short to draw definitive conclusions for any state we submit to the analysis, studying the existing data regarding this historical period show how great the "divergence" between the West and the East of the continent has increased: over the last half millennium, starting from similar levels of economic development, the states of the western part of the continent and, in particular, those in the northwest, have developed at increasingly alert levels, while those in the East of the continent have advanced far more slowly; it is obvious that these differences occurred especially during certain more distant historical periods and that in recent history the East European states have recovered much of the existing differences, but convergence has not yet been reached.

The existing statistical data (Axenciuc, 2000, p.311) show a lack of sustainable economic development at the time of the Second Industrial Revolution, as in the case of the states that have performed during the mentioned period (USA, Japan, Germany or Switzerland). Although there has been registered an increasing pace in terms of development, from a national wealth of 2 billion \$ in 1860 to 4 billion in 1914 and over 11 billion at the end of the interwar period (the spectacular increase is due largely to the significant increase of territory and population through the adjoining of new territories to the Romanian state, some of these territories being characterised by a high degree of economic and social development).

Moreover, the formation of "Great Romania" implied great initial costs, the economic, social, political advantages, etc. appearing much later. As Bogdan Murgescu (Murgescu, 2010, pp.224-225) highlights, the union of Transylvania with Romania implied, at least in the first phase, a huge cost for the population. His conclusion is one of the most tangible ones: from a political and economic point of view, the union was a success, but regarded from the citizen's perspective, who supported the costs implied by the union, it implied a decrease in the accumulated wealth, as well as a decrease in the living standard (at least in terms of the interwar period). The data presented to support this conclusion are based on the evolution of national wealth comparing the period 1912/1914 and 1920/1922: thus, Romania's gross assets (expressed in million lei gold) amounted to 18,331 in the first period, as compared to 29,701.2 in 1920/1922 (which represents an increase of 62%), while the per capita distribution decreased to 70% (1,889.1 in 1920/1922 compared to 2,459.5 in 1912/1914).

Although we witness significant economic accumulations (determined by an increase in terms of both the territory and the population), they are insufficient to bring about an improvement in the economic efficiency of Romania and of the other Central and Eastern European states (Teichova, 1981, pp.178- 179): although they account for a quarter of Europe's population, a third of the continent's territory, they produce only 7 or 8% of the continent's total industrial output, while the major industrial powers (Great Britain, France, Germany) reached 67%. Also, another issue that hindered the economic development of the states in the area is that their exports depended on one or two products (Aldcroft, 2006, p.13): in the case of Romania, these were cereals, oil and forest products, covering 77% of the exported products.

The average industrial growth rate in the nineteenth century for the western continent was 42% between 1900-12, while the average industrial growth rate of Poland, Hungary and Romania for the period 1925-1937 was of 63%. In view of these positive trends in the case of the three industrialized countries (Poland, Hungary and Romania), to which Czechoslovakia (an already industrialized state) has been added, there has been registered a significant growth and recovery of the existing gaps, as the states could achieve economic convergence with Western Europe if the tragic events of the Second World War had not occurred (Chiroț, 1989, p. 385).

The period that has passed since the formation of the Romanian state up to the level of 2000, shows a major evolution in terms of the gross domestic product, calculated based on the purchasing power parity. The data presented in the table represents the averages of the mentioned periods, the blank spaces being marked by changes in terms of the area, population and economic resources of the Romanian state:

Table no. 1 Comparative data on Gross Domestic Product (GDP) from 1860

Averages of the years	The gross domestic product million dollars ppc			Gross domestic product per capita dollars ppc		
	dollars 1990	dollars 2000	indices	dollars 1990	dollars 2000	indices
1	2	3	4	5	6	7
1862-1866	1840	2261	100	451	554	100
1911-1914	7186	8829	390,5	978	1202	217,0
1920-1924	11681	14351	634,7	730	896	161,7
1935-1939	18183	22338	988,0	931	1144	206,5
1940-1944	12106	14873	657,8	897	1103	199,1
1945-1947	8645	10621	469,7	547	672	121,3
1950-1954	23158	28375	100	1387	1700	100
1975-1979	146187	179123	631,3	6744	8264	486,1
1985-1989	191222	234304	853,7	8337	10216	621,4
1990-1994	148889	182433	664,7	6489	7950	483,6
1995-2000	149837	183595	668,9	6647	8145	495,4

Source: Axenciuc, 2012, p.37.

The data presented show a nearly four-fold increase of Romania's gross domestic product in the 50 years that passed between the creation of the Romanian state and the beginning of the First World War, while compared to the inhabitants, there has been registered a much smaller augmentation, that being doubled only once. By the end of the interwar period, the gross domestic product has increased almost tenfold, with no improvement registered in its distribution per capita. Available data related to the communist period start with a slight advantage as compared to the end of the interwar period, with an 8.5 time increase in GDP and more than 6 times in the per capita one. The data indicate a collapse of the two indicators analyzed after 1989, so the data from the 1995-2000 interval are similar to those of the 1975-1979 interval.

Although the presented data do not allow much comparison with the beginning period of modern Romania, we can see that between the value of 2000 indicators and those of the interval there is an increase of more than 80 times (obviously the Romanian state has a totally different population and territory at present) and as compared to a similar territory and population, the end of the interwar period has registered an 8 times augmentation. Economic indicators have improved significantly following Romania's integration into the European Union, as we will see below, but the developments presented reconfirm the conclusions of the comparative study of the historian Bogdan Murgescu (Murgescu, 2010, pp.485-488), who shows that recoveries, "the catching up", though possible, is very rare, both in terms of frequency and number of countries that have succeeded. The successful examples identified by it are Denmark (1885-1914) and Ireland one century later (1987-2007). Successful examples show that time is needed (if the actual recovery took place over several decades, its preparation took a century in the case of Denmark, in this case the process began at the end of the 18th century, and at least three decades in the case of Ireland). This observation reconfirms Rostow's theory (Rostow, 1960, p. 4-11), who considers that at least four decades are needed after the launch or six decades after the take-off, in order to achieve economic development.

3. Is „the great escape” possible for Romania?

In a recent paper, Nobel Laureate for Economy in 2015, Angus Deaton, claims that, over the last 100 years, we have been the witnesses of an unprecedented progress in raising life expectancy at birth, as well as of the general level of education of the world population. Unfortunately, as demonstrated by all studies, but also by contemporary reality, the progress of some states on the road of modernization was much faster in the case of some states, while others evolved less, or they experienced rebounds after the development periods. The American economist uses even a plastic image of this phenomenon, inspired by the film "The Great Escape," the action of which takes place in a Nazi camp; during an escape, only a small number of those who participated in it

managed to escape, while most were trapped and returned to the original situation.

To what extent did the Eastern part of the continent, including Romania, succeed in escaping the "return camp"? One of the important social indicators to be analyzed refers to life expectancy at birth, because it gives us clues about what is happening in health systems, but also about the level of education of the population, being closely related to its material level.

Our country, like other Southern and Eastern European countries, has started from a relatively low life expectancy (as it was in most of human history), which was situated at 48-50 years old at the level of 1940 (Scurtu, 2001). The causes of this reduced life expectancy were among the most diverse, including: high infant mortality, especially for the category of children under one year; poverty made that the food of the majority of the population at that time to be poor; medical care was totally missing or precarious; living conditions were inadequate, poor hygiene, difficult working conditions, etc. Also, education levels were very low, half of Romania's population being illiterate in the interwar period. The prospect of UNDP data is a major one for all Central and Eastern European countries, including Romania, situated among countries with a very high level of human development (even if Romania ranks 50th, the penultimate in this category, and Bulgaria occupies position 56, which places it among states with a high level of human development):

Table no. 2 HDI and its components. Very high human development countries (except Bulgaria, ranked as high human development)

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	Gross National Income (GNI) per capita (2011 PPP \$)	HDI Rank
Norway	81.7	17.7	12.7	67,614	1
Switzerland	83.1	16.0	13.4	56,364	2
Germany	81.1	17.1	13.2	45,000	4
Denmark	80,4	19.2	12,7	44,519	5
Netherlands	81.7	18.1	11.9	46,326	7
Ireland	81.1	18.6	12.3	43,789	8
Iceland	82.7	19.0	12.2	37,065	9
.....					
South Korea	82.1	16.6	12.2	34,541	18
.....					
Slovenia	80.6	17.3	12.1	28,664	25
Czech Republic	78.8	16.8	12.3	28,144	28
Estonia	77.0	16.5	12.5	26,362	30
Poland	77.6	16.4	11.9	24,117	36
Lithuania	73.5	16.5	12.7	26,006	37
Slovakia	76,4	15.0	12.2	26,764	40
Hungary	75.3	15.6	12.0	23,394	43
Latvia	74.3	16.0	11.7	22,589	44
Croatia	77.5	15.3	11.2	20,291	45
Romania	74.8	14.7	10.8	19,428	50
Bulgaria	74.3	15.0	10.8	16,261	56

Source: Human Development Report 2016, p. 198.

The data in the previous table highlight some key issues: countries with a high degree of human development are relatively constantly placed on the first positions of the hierarchy, even if there are still oscillations. The spectacular advances of some states are relatively rare, taking place only over longer periods of time. But they are not impossible, the example used is that of South Korea, a very poor state in the sixties, which became one of the most developed in the next half century. The secret of the South Korean miracle is presented as a combination of an authoritarian political regime (under the direction of General Park), governmental policies of accelerated industrial development supported by government subsidies and aggressive protectionism, massive investment in education and research, all leading to an economic and social leap which places South Korea today in the top twenty economies of the world (Chang, 2012, pp.20-23).

The South Korean experience shows that the differences do not depend on biological, climatic factors or on certain characteristics of the populations, as the example of the Korean peninsula shows us that the same people had completely different developmental evolutions determined by the different political and economic institutions for which they have opted, reinforcing the thesis that free political and economic institutions stimulate to a much greater degree the economic and social development (Acemoglu and Robinson, 2016).

Table no. 3 Social indicators related to social and economic development in EU countries

	Infant Mortality Rate Per 1000 live-births	Current health care expenditure % of GDP 2014	Total public expenditure on education % of GDP 2014	R & D expenditure % of GDP 2015	GDP at PPS, per capita, EU-28=100
Germany	3,3	11,0	4,63	2,87	123
Denmark	3,7	10,37	...	3,03	125
Netherlands	3,3	10,93	5,53	2,01	128
Ireland	3,4	9,91	5,32	1,51	177
Slovenia	1,6	8,54	4,99	2,21	83
Czech Republic	2,5	7,56	3,84	1,95	88
Estonia	2,5	6,13	4,85	1,50	74
Poland	4,0	6,33	4,91	1,00	69
Lithuania	4,2	6,22	4,37	1,04	75
Slovakia	5,1	6,96	4,09	1,18	77
Hungary	4,2	7,17	3,98	1,38	67
Latvia	4,1	5,49	5,28	0,63	65
Croatia	4,1	6,71	...	0,85	59
Romania	7,6	5,14	2,99	0,49	59
Bulgaria	6,6	8,51	4,22	0,96	48

Source: NIS, 2017.

The data presented highlight Romania's negative performance in terms of certain social indicators, such as infant mortality, education and research spending: in all these aspects, Romania ranks last in the European Union, surpassing Bulgaria. The data presented show that while Romania performs better than Bulgaria in terms of economic performance, overcoming Croatia slightly over the last year, but low spending on health, education and research will contribute to the perpetuation of problems related to the access of the population to better living conditions, which will be a long-term problem.

4. Conclusions

Has Romania overcome the level of underdevelopment? The answer to this question is definitely a positive one, but some comments are needed instead of conclusions. First of all, the historical period of the transition to a developed society was historically a short one (one hundred fifty years represents half of the time available to Western European countries). On the other hand, the states that are later modernized benefit from the experience of the previous ones, so it is possible to burn the stages and compress the process. Unfortunately, the "take-off" period (Rostow, 1960) was one in which the events at the European continent level were unfavourable to the states that were going through this stage: two military conflagrations that brought massive destruction to the economies of the region, two major economic crises, etc.

A second impediment to development was caused by the numerous changes in the economic and political system, starting with the dismantling of the economic market in the Austro-Hungarian Empire at the end of the First World War, and the construction period of a functioning national economy by integrating new provinces adjoined, brought about, at least in a first phase, high costs for new states. It was made within an international economic system unfavourable to the development of the agrarian states, and the process was stopped by the Second World War and by the forced passage to the communist system and the economic reconstruction according to the

Soviet model. Statistical data (Chirot, 1989, pp.380-384) show that the economic performance of underdeveloped states in the region was not disastrous (for example, Austria exceeded the 1913 per capita income level only after 1950). The seventh and eighth decades also represented periods of rapid economic and social development, followed by a new major economic and social destruction as a result of the collapse of the communist system worldwide. All these aspects show that development cannot be achieved when the state is subject to major economic and political fluctuations at too short intervals, which may be the explanation for the incomplete, uneven development we are currently witnessing.

Another conclusion worthy to be highlighted is that it is much easier to reach the economic development than to improve the quality of life of the majority of the population. An interesting conclusion, including the case of Romania, is that there is no need for a "genius" elite (Murgescu, 2010, pp.486-487): however, a pragmatic vision and punctual contributions to the good functioning of the institutions and of the economy as a whole are needed. As can be seen from the data presented throughout the article, economic growth can be achieved in a favourable period, even in the absence of a visionary elite, while for the sustainable development of the society, public policies implemented over longer periods are needed, the effects of which are permanently monitored and re-evaluated. Romania is currently occupying a much better position in terms of economic indicators than in terms of the social ones, which makes gradual economic evolution not to affect all social categories, causing a strong social polarization. From this point of view, things are not very good in our country, which has been subject to constantly increased inequalities over the last twenty-five years, becoming one of the most uneven countries in the European Union.

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