

The Impact of Public Debt on Sustainable Development. The Romanian Case Study

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Abstract

The study aims to analyze the impact of the ratio between the public debt and the gross domestic product on the Romanian economic development, for years 2000 - 2021 and to offer solutions for growth and sustainable development.

Using a Vector Autoregression Model - VAR analysis model, the paper captures the causes that led to the rapid increase in debt in recent years, even decades, on the one hand, and on the other hand, the factors that influenced the negative evolution of macroeconomic indicators (inflation, unemployment etc.), which was not at all encouraging during the entire analyzed period. This fact is also possible thanks to the decisions and policies instituted by the government, rather based on analyzes and strategies, established only in the medium and short term, in a conjunctural context.

Key words: economic development, public debt, G.D.P. Vector Autoregression Model

J.E.L. classification: C33, E44, E60

1. Introduction

The economy's evolution at the level of the European Union and implicitly of Romania in these twenty-one years, subject to analysis, was accompanied by large imbalances. This happens due to the economic crisis from 2008 to 2012, on the one hand, when they were affected and the world's strongest economies and, on the other hand, the COVID 19 pandemic that began, according to data, at the end of 2019 in Wuhan - China. This further accentuated the problem of the country's deficit with its still unknown impact, at the same time affecting economic stability and causing the growth, at an accelerated rate, of social, budgetary and especially emergency medical expenses.

It should be noted that the country's large and somewhat growing deficit may lead to a downgrade of the sovereign rating. Romania has BBB - immediately above junk (Daianu D., 2021), and that "qualifier" could cause an increase in the cost of financing the public debt. This is fueled by the fact that the Romanian leu is not a reserve currency, and the margin of maneuver of the National Bank of Romania is limited. In other words, Romania's macroeconomic situation can be described both by influence socio-economic phenomena on macroeconomic indicators, from the last decades, as well as through the behavior and perception of the population on the business environment.

The positive evolution of the GDP determines a positive economic growth, which is desired to be in the long term, a fact that would determine a sustainable development of the Romanian economy in all its components. Moreover, the increase in G.D.P. - the real is the source of the substantial increase in living standards (Lipsey. R., 1999).

Economic development analyzed more in studies, plans and strategies should significantly reduce the harmful effect of the scourge that most grinds the economy of a country, and it is closely related to the evolution of inflation, which is usually variable and rarely precisely predicted and which has reached alarming proportions in the last thirty years.

Even in these years of the pandemic, from this analysis, it tends towards an evolution that is not in line with what is intended to be a sustainable development thought and designed for the long term, taking into account the support offered by the relevant international institutions and the Plan National Resilience and Recovery. Practically, Romania's development must be based on sustained economic growth, which in turn must be based on a technological change - re-technological change, led by

innovations, because one of the most important benefits is the increase in living standards. Investments also have their own contribution to the growth and development of the country, which in turn is never without costs. The opportunity cost of growth is the shift of resources from current consumption to capital formation.

Thus, the motivation of the research is represented by the existing paradox, between what is desired, a sustainable economic development of Romania in all its components supported by funds, plans and strategies, and on the other hand by the connection and the cost associated with the contracted loans, which instead to sustainably support and develop the economy, rather it reduces its degree of bearability with harmful effects on production, on the population's income and implicitly on the G.D.P. - the result. Also in this sense, it should also be mentioned the effectiveness of the fiscal-budgetary policies that should be reanalyzed and instituted through the levers of the state to encourage the attraction of investors and implicitly the increase of investments, and the models of developed countries (eg: the Netherlands, Sweden etc.) may be worth following.

The paper's objective is to capture, on the one hand, the impact of economic growth on the public debt, and on the other hand, the factors that influence, in a pronounced way, the debt dynamics. At the same time, the research aims to find the best and viable measures for economic growth and recovery, with a direct impact on the level of public debt.

Considering its evolution at the level of Romania, its impact on the development of the country and taking into account the existing economic context at the European level, measures are required to reanalyze the strategies to be followed at the level of the European Union and that the threshold imposed by the Maastricht Treaty, of 60 %, could be reanalyzed, establishing new levels and objectives to be met.

The work is structured in five parts. The first would be represented by the introduction, the second part presents the specialized literature that captures the analysis of the public debt at the national level, but also in relation to other developed countries, followed by the specific methodology for the analysis of the ratio between them and GDP and the results, propositions and discussions can be found in the fourth part. The paper ends with the presentation of the conclusions and the bibliography.

2. Literature review

The economic-financial context regarding the sustainable development of a state can be defined, from at least two points of view, namely:

- ✓ the need for money/financial assets and also for loans contracted by each state;
- ✓ the level of affordability of the economy in managing and repaying the accumulated public debt.

Moreover, the ratio between the public debt and the gross domestic product is its most important measurement indicator.

The way in which the member states of the E.U. among which Romania also manages its public debt represented and continues to represent a subject of particular importance in what is desired to be a sustainable economic development.

Thus, the study "Debt and Economic Growth In The European Union: What Causes What?" (Ferreira, 2014) supports the existence of causal relationships between economic growth and public debt. This, within the analysis, take three forms: public, external and private. The reference period is comprised between the years 2001 - 2012, with a special emphasis on the period 2007 - 2012 (global financial crisis, sustained by an obvious lack of liquidity) and includes a number of 28 countries of the European Union.

It is precisely this lack of liquidity that has pushed some countries to certain compromises and recourse to loans, with unforeseen costs. These, as an effect, have led to an increase in the threshold debt level, for most states it is rather above the level established by the Maastricht Treaty. A high level of debt, as is known, has a direct effect on economic growth and the development of a country depends a lot on this ratio (public debt / GDP).

The results of the study support the existence of statistically relevant bidirectional causal relationships between public debt and economic growth. At the same time, the analysis confirms the fact that a sustained and constant economic growth (with values, not necessarily very high) contributes to the stagnation and even decrease of the public debt level.

The estimates also show, on the one hand, that external debt is not so relevant to GDP growth, and on the other hand, private debt has a negative impact on GDP growth in the analyzed period (2001 - 2012).

In conclusion, it confirms that for 25 of the 28 countries of the European Union, public debt was relevant to economic growth, but at the same time and more strongly, economic growth had clear negative causal effects on the growth of public debt.

The work "The Use of Computer Applications In The Study of Romania's Public Debt" (Vătuțiu, et al, 2011) starts from the definition of the public debt, as representing all the monetary requirements of the state at a given time, due to contracted loans, short or long term, but also its own obligations to cover the deficit. In other words, the analysis seeks to capture the evolution of Romania's public debt, between 2007 and 2012, and as a novelty element, sparkline diagrams are used. Practically, during the mentioned period, in order to support budgetary expenses, pensions and salaries, or of another nature, the Romanian government constantly resorted to loans. These were not based, according to the study, on the basis of viable strategies, in relation to, for example, Bulgaria, but on the basis of measures or rather conjunctural decisions.

Thus, the loans from the IMF, as international support, and the funds from the domestic banking system, weighed decisively in the evolution of the debt. This has doubled and even more than that. In other words, from a public debt whose percentage of GDP in 2008, it showed a level of 21%, at the beginning of 2011 its level indicated a percentage of approx. 37% (193.89 billion lei), far above the forecast.

Even under the mentioned conditions, the Romanian government committed itself to the creditors not to exceed the imposed deficit by much. Even more than that, it must to reimburse the International Monetary Fund and the other creditors, part of the contracted loans, proposing, according to the analysis, up to 1 billion euros in 2014.

Another study, "The Effect of Public Debt On Economic Growth" (Moraru, et al, 2014), as the title suggests, it investigates the influence of public debt on economic growth and financial stability. At the same time, a special emphasis is placed on its ability to support sustainable economic development. The analyzed period includes the interval 2006 - 2012, and as a working method, linear, multivariate regression was chosen.

Buchanan and Wagner, for example, argue that the debt burden is simply the "opportunity cost of debt-financed public goods," defining it by analogy with the tax burden. Moreover, they ask themselves rhetorically, paying special attention to the following aspects: who pays, how much and when?

As the study also claims, the opportunity cost is the value of private goods sacrificed for public goods "purchased through debt". Also, in the sense of what was presented, it is also referred to the fact that countries with high rates of the public debt / GDP ratios are more exposed to high market interest rate shocks.

The results of the analysis certify that there is an inversely proportional relationship between public debt and economic growth. For example, it is argued that an increase with 1% of public debt will reduce the annual growth rate of GDP by 0.30%. In other words, at least for the case of Romania, public debt tends to have a negative impact on economic development.

Another work, "Correlation Analysis Between The Public Debt and The Budget Deficit and GDP In Romania Compared To Holland" (Păun, 2015) presents the economic characteristics of a comparative analysis between Romania and the Netherlands. The analyzed period includes the years 2000 - 2013 and captures the dependence between deficit and public debt, as well as the variation of the latter.

In the study, the objectives of both Romania and the Netherlands are presented, with growth prospects in the future. It is noted that the value of the maximum deficit reached by Romania was -8.86% in 2009, and its minimum value was achieved in 2005, standing at a value of -1.15%.

In contrast, the Netherlands recorded both a budget deficit and a budget surplus in the analyzed period. In other words, the largest deficit was -5.45%, also in 2009, and the smallest was -0.28 in 2005, before the global financial crisis.

From the public debt point of view, the study shows that Romania is better off, with a debt level of only 37.44% of GDP, at the end of the reference period, compared to the Netherlands, which presents a level above that was imposed by the Maastricht Treaty, i.e. 68.60% of GDP.

Even under these conditions, the study also highlights the fact that, despite the high ratio of public debt to GDP, the standard of living of the population in the Netherlands is much higher than that in Romania. Moreover, the economic potential can support, without problems, the continuation of the reforms and implicitly the sustainable economic development much more deeply with achievable objectives in a relatively short term, in relation to our country.

The work “Sustainability of Local Decisions During Financial Crisis” (Oprea, et al, 2016) shows how important the activity of economic agents is for sustainable development, starting from the local level to the central level. Moreover, achieving a balanced budget, of revenues and expenses, supports such an approach, which must be maintained, at this moment, in a competitive environment with uncertain growth prospects.

In this sense, the analysis claims that by promoting a qualitative financial management, which, by the way, represents the basic condition for avoiding a crisis (even at the local level), money and the public good can be managed with even greater accuracy.

The economic crisis and the events of the last decades have shown how incapable the authorities, from local to national, have been to manage such situations. They refer, rather, to those presented austerity measures that did more harm to the economic environment, contributing, on top of that, to the decrease in the income level of the population.

In the study, reference is made to the attitude that the authorities must adopt regarding the way of revenue collection in relation to the forecasted expenses, in order to ensure the sustainability of the financial management instruments. In the end, it could represent one of the basic pillars in terms of ensuring long-term economic development.

Another study, “The Evolution of Public Debt and The Comparison With Its Weight in actual G.D.P.” (Medar, et al, 2019), analyzes the evolution of public debt, from the level of Romania. Moreover, it claims that the reached threshold is below than established one by the Maastricht Treaty.

At the same time, an analytical thinking is considered, which would plead for increasing its level, argued by the fact that it would become sustainable only under conditions of productive investments. The latter, fueled by viable measures and policies, would lead to long-term sustainable economic growth.

The analysis also surprises a certain paradox given the fact that although, during the analyzed period, there was a sustained economic growth, our country still has the lowest budget revenues in Europe. It should also be mentioned that Romania was the only country in the world that managed to pay its external public debt. It is true that the costs, both for the industry and for the population, were at the limit of what was bearable.

Compared to today, the same country is heading, rather, towards the opposite pole, i.e. towards the threshold of 50% of GDP. One of the factors that led to this aspect is the financing of the budget deficit fueled by the pandemic and the existing imbalances in the region.

Moreover, in order to analyze this aspect even better, it was agreed that the ratio between the public debt and the gross domestic product is the most important measurement indicator.

In other words, this report can be analyzed from at least two perspectives, also determined by the value of interest on government bonds. So:

a) There are years when the GDP growth rate was lower than the value of government securities and there was also a primary deficit in relation to GDP.

b) Under the conditions of sustainable economic development and due to the collection of state revenues, the GDP growth rate can be higher than the interest on government securities and, therefore, there is no primary deficit.

Also in the analysis, reference is also made to the fact that a debt greater than the economic potential of a country, together with an unsubstantiated increase in expenses, could lead to a decrease in the country's rating, a fact that would further discourage investors from allocating funds in strategic sectors of the economy. Therefore, it is shown that the government's policy to support the business

environment through credible policies with real impact for a harmonious development in all its components is very important.

Another study, “Evolution of The Main Indicators of Public Debt Sustainability In The Period 2014-2018 In Romania” (Apostol, 2019) supports what was reported previously, within the theme, coming with an analysis of the public debt for the period 2014 - 2018; practically, the years of recovery after the financial crisis and before the outbreak of the COVID 19 pandemic.

This study, like the others, certifies that the threshold reached by Romania is below the level established by the Maastricht Treaty and even below the European Union average. However, the analysis puts a special emphasis on the country's fiscal system and the sustainability of public finances. So, it represents a great responsibility that must be very carefully managed by the decision-makers, in the current geopolitical conditions.

Since the sustainability of public finances also refers to the government's ability to manage risks, it must be carefully supported not only by measures and fiscal-budgetary policies, but also by the state's action, through the levers it has at its disposal to regulate and adjust the economy.

At the same time, the analysis also finds that there is no universally valid threshold regarding the public debt. This is argued by the fact that each country has its own peculiarities and degree of affordability, of the economy, but it must not be forgotten that a high level of debt can endanger the sustainability of fiscal-budgetary policies.

The results of the study confirm that the trend of public debt decreased from 2015, until the end of the analyzed period, supported by economic growth, based on consumption, fueled by the financial conditions of the market. A noteworthy aspect is given by the fact that the diversification of government securities has supported and continues to support the economy, even in the current market conditions.

However, due to the deficit recorded in recent years, it is expected that the share of debt to GDP to have an upward trajectory and in the long term, the reference value of 60% of GDP will be exceeded. However, in order to maintain a sustainable level of public debt, it is necessary to implement viable strategies, based on thorough analyzes that offer investors favorable conditions for placing investments, on the one hand, and on the other hand, ensuring the balance between revenues and expenses that allow allocation of public money with even greater accuracy.

The specialized literature, as it is presented, captures the evolution of the economy, not only at the Romanian level but also at the world level. It is influenced by various factors that have contributed and continue to shape the perceptions, not only of the decision-makers, but also rather of the population that feels the fluctuations of the market, of the business environment. It must be stated that this fluctuation, of the market, with more or less accentuated episodes, also left its mark on the way in which the economy of the analyzed country responded to challenges and unforeseen situations, sprinkled with conflicts and socio-economic disturbances, sometimes difficult to managed

They could only be resolved following negotiations that assumed either broadness and flexibility on the part of the population, able to work, as well as on the part of the state. The transition to a market economy entailed, among other things, steps that had to be accepted by both sides, with the accumulation of loans for the implementation of the new development strategy, in the medium and long term.

After all, Romania, in its recent history, is the only country in the world that paid off all its external debt at one time, and this happened at the end of the 1980s, in April 1989 to be exact.

This theme was debated in a documentary on loans, where *Professor Martin Armstrong*, The Former President of Princeton Economics International, supported it in the early 1990` s in the USA. In it, he declared: „***The only country that paid its debt was Romania, in the 80s. That's it. It is the only exception that I found starting with the year 6.000 before Christ!***”.

Practically, Romania managed to pay all its 14 billion dollars, which represented approx. 35% of GDP, in the mid-80` s. Professor Martin Armstrong can be considered either way, but the statement is completely correct. Moreover, in recent centuries a noteworthy situation occurred between 1822 and 1913, when Great Britain under Prime Ministers Richard Peel and William Gladstone respectively managed to reduce the public debt from approx. 194% to approx. 28.3%.

In other words, the USA managed to have, after the period 1867 - 1913, a public debt below the level of 4% of GDP; but, as it is mentioned before, no country managed to pay all its debt, only Romania.

What followed, starting with the revolution in December 1989 until today, has various interpretations, methods of analysis, but also strategies, the ultimate goal of which is to reduce the dependence of the business environment on loans. In practice, one wants the self-sustainability of one's own economy based on viable measures, with tangible results.

The country's economy was characterized by measures, rather procyclical, sometimes conjunctural, given by a superficial analysis of the economic situation at a given moment. Pressures from both internal and external factors have seriously affected the way the economic situation has been managed in recent decades. For example, privatization, so publicized, should have represented, first of all, a new, much more efficient model of management, a management focused more on quality. The reality, however, demonstrated something completely different, and as a result, this (privatization) was done, more as a self-imposed measure to move to a truly competitive market economy, with results below expectations.

In the sense of what it was stated, the study *Public Debt in Romania over the past two decades: did we have a coherent debt policy* (Oprea, et al, 2012), supports this aspect and describes the inadvertence of debt policies in Romania, in the period 1990-2011 and the decisions regarding the public debt dynamics (public debt decisions). The conclusion of the study is that the strategic elements of public indebtedness had, during the analysis period, only a formal character, ad hoc decisions being taken under conjunctural pressures even after the outbreak of the financial crisis.

According to the data, the lowest level of public debt was recorded in the third quarter of 2008, and its value was 10.5% of GDP. On the other hand, the highest level had a value of 48.6% of GDP, in the fourth quarter of 2021, in fact the second year of the COVID 19 pandemic. The latter seriously left its mark on the entire economy worldwide, and the level of spending was, as a percentage, far above the forecasted one, overtaking the ability of governments to deal with the situation, from their own funds.

In order to capitalize on the data and to capture the evolution of Romania's economy, this paper aims, based on the Vector Autoregression Model, to carry out a much more detailed analysis of the situation, within the methodology below.

3. Research methodology

The methodological framework aims to use an analysis tool, namely V.A.R. (Vector Autoregression Model), in order to capture the dynamics of the variables and their effects on the country's economy. The data used have a quarterly frequency, for the reference period 2000 - 2021, and include data regarding the evolution of Romania, from an economic point of view, and its development both as a non-EU member state and as an EU member state since 2007.

In the analysis of the V.A.R. model, quarterly data of public debt and GDP were used for the mentioned reference period. The data source for public debt is EUROSTAT, and for GDP is OECD and comprises 87 observations.

Following the estimation of the VAR model above, the following is observed. So:

- ✓ There is an inertia effect in the evolution of G.D.P. - ul starting with the second trimester;
- ✓ Public debt positively influences G.D.P. - starting from the first quarter, going to register a downward trend starting from the second quarter, a fact explained by the equation (1) below:

$$GDP = 0.016055 - 0.200986 * GDP (-2) + 0.817436 * PUBLIC_DEBT(-1) - 0.82436 * PUBLIC_DEBT(-2)$$

In other words, the analyzed period involved numerous economic and political decisions based on strategies not necessarily thought of in the long term but rather influenced by the evolution of the market, of the economy at a given moment, bearing in mind the somewhat linear economic growth, if we refer to the period up to the year 2008 and conjunctural, chaotic and sometimes dynamic if we refer to the period of the world crisis that included Romania in the period 2007 - 2012.

It is true that after this period it was desired and succeeded, in some places, to stabilize and create an environment favorable to development, a fact demonstrated by the evolution of macroeconomic indicators, with a pronounced impact on economic growth (based more on consumption) and less on what was desired to be a sustainable economic development, the continuity of which suffered after the outbreak of the COVID 19 pandemic in Wuhan- China, November 2019.

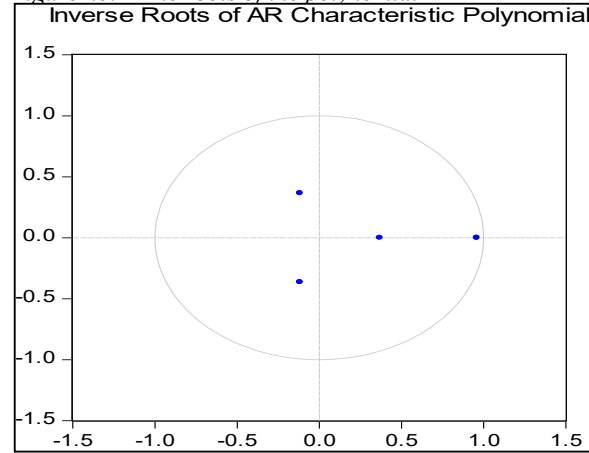
In another words:

- ✓ G.D.P. - positively influences the public debt, but with a delay of 1 quarter;
- ✓ Public debt positively influences public debt, but still with a lag of 1 quarter, a fact reflected by the following equation:

$$\text{PUBLIC_DEBT} = 0.152565 * \text{GDP}(-1) + 1.145190 * \text{PUBLIC_DEBT}(-1) + 0.003568 (2)$$

In other words, a change in the public debt indicator will be effectively reflected in its evolution and dynamics, only after a quarter.

Figure no. 1 The roots of the polynomial



Source: own calculations, with the help of Eviews software

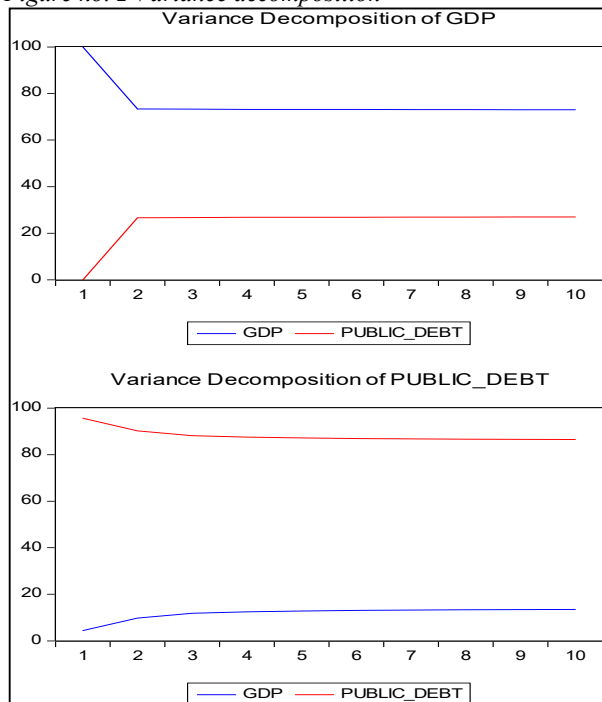
Given that the roots of the polynomial have sub-unit values and that the model is valid indicates that decisions can be made based on the estimated equations. This has its correspondence in the economic reality in that the government's interventions in terms of fiscal and fiscal-budgetary policies materialize directly in the evolution of the economy, of the debt more after the realization of the produced effects. Basically, the state borrows to generate growth and implicitly economic stability through the policies of any kind instituted, but it should not be neglected that this (accumulated debt trend) experienced an upward trend, fueled by the evolution of the global market with repercussions and on Romania, and given the fact that in the last 2 years, subject to analysis, this also coincided with the COVID 19 pandemic and the state's obligation to provide emergency social and medical assistance should not surprise us that it tends towards a worrying limit approaching the threshold imposed by the Maastricht Treaty of 60%.

But this threshold, given the current conditions of the economy at the level of the whole community of 27 member states, could be subject to analysis, re-analysed, to represent a benchmark worthy of following with clear and precise objectives.

The "variance decomposition" analysis indicates that, on the one hand, the variance of G.D.P. is explained in the proportion of approx. 30% of the variation of the public debt, and the difference up to 100% is explained by its own variation, and on the other hand, the variation of the public debt is explained in proportion to approx. 12% of the change in GDP - his and approx. 88% of own variation.

The contracted loans in turn determine other expenses, a fact demonstrated by the reality of the Romanian economy in the analyzed period.

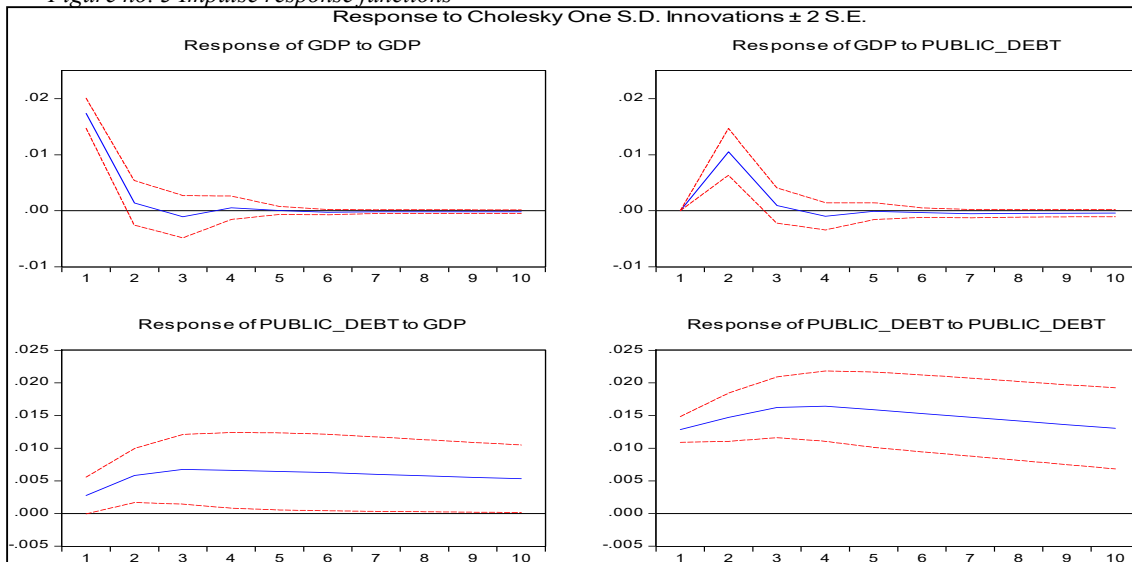
Figure no. 2 Variance decomposition



Source: own calculations, with the help of Eviews software

It should be noted that the stationarity of the data that led to the decisions to contract loans was not always able to reflect a clear and real reality, which led, as it is mentioned before, to hasty and sometimes opportunistic decisions on the part of decision-makers. And, thus, forced the existing economic environment to compromises that are difficult to meet, subjugating the business environment with a direct impact on investors who wanted to do business in Romania, on the incomes of the population and implicitly the standard of living, so that the degree of its affordability, of the economy, is currently at a level that needs to be reanalyzed on the basis of very well-argued and put into practice strategies for the public debt to know a stagnation and maybe even a regression.

Figure no. 3 Impulse response functions



Source: own calculations, with the help of Eviews software

According to the graphs above, the following can be concluded:

- ✓ Regarding the I table (the one on the left), an inertia effect of the GDP can be observed, starting with the second period, that is, the increase of the GDP causes a change in the same direction on its own evolution;
- ✓ In the II-th table (the one on the right) one can observe an inversely proportional relationship, for a very short period of time, respectively - quarter IV the rest of the period registering a positive evolution between GDP and public debt as a response of GDP to the evolution of public debt;
- ✓ Regarding the response of the public debt to the change in the analyzed GDP, a positive relationship can be observed starting from the 2nd period, the 3rd table;
- ✓ Regarding the 4th table (the one on the right), an inertia effect can also be observed in the case of the public debt starting from the 3rd period, then registering a downward trend in its own evolution, after the 4th period.

Table no. 1 Granger causality

VAR Granger Causality/Block Exogeneity Wald Tests			
Sample: 1 88			
Included observations: 85			
Dependent variable: GDP			
Excluded	Chi-sq	df	Prob.
PUBLIC_DEBT	31.914	2	0.0000
All	31.914	2	0.0000
Dependent variable: PUBLIC_DEBT			
Excluded	Chi-sq	df	Prob.
GDP	4.410483	2	0.1102
All	4.410483	2	0.1102

Source: own calculations, with the help of Eviews software

The above table reinforces what has been stated, so that public debt influences economic growth, a fact proven by the existing reality both at the level of the economy of less developed countries, the case of Romania, and at the level of countries with a high degree of industrialization, referring to what not, and to the countries of the European Union that are part of the G7 group

4. Findings

Romania, as a member state of the European Union, has enjoyed international support both at the diplomatic level, an evident fact in the development of strategies and constructive administrative reforms, but especially financially, so that our country can also develop at a sustained pace, thus reducing the gaps with industrialized countries with a solid economy, able to face any challenges.

The period under analysis (2000 - 2021) required the management of at least two major crises, which affected not only the countries of the European Union but the entire world map, namely: the economic crisis from 2008 to 2012 with large imbalances that affected the continuation of reforms with impact on the economic development of the states, sprinkled with sometimes hasty decisions in an environment influenced by important fluctuations of the macroeconomic indicators, the most relevant of which we mention: the increase in unemployment, the reduction of investments, the increase in inflation, the stability of the national currency and the exchange rate (stabilized only through direct measures of the BNR), the budget deficit s.a. On a different note, the COVID 19 pandemic, which, according to data published by international institutions, began in November 2019 in China, then spread throughout the world.

Even with an as yet unknown financial impact, it has wreaked serious havoc on the medical front, associated with the loss of human lives at a level not seen in the last century, forcing the states of the world to emergency social and medical measures and expenses that have greatly affected budgets the countries of the European Union, even the strongest of them, such as Germany, considered by many

analysts and experts to be the "engine of Europe's economy", France, but especially Italy, which felt the strongest shock of this new virus - especially in the spring of 2020.

As far as Romania is concerned, analyzing the data and events that have marked the last twenty-one years, this study captures only a view at economic development from the perspective of clearly defined objectives, of reforms that must be continued, of a responsible modernization, of a National Recovery Plan and Resilience based only on a medium and long-term strategy, very well argued. Practically, the improvement of technology, of any kind, is very important, but it must be borne in mind that it cannot be achieved overnight, and even more so it must be borne in mind that the policies instituted by the government aim to increase the level of endowment in all the major components of the state.

Companies with Romanian capital, as well as foreign ones that operate on the territory of the country and that have been or are on the verge of bankruptcy, are thinking about survival, not necessarily about research and development, therefore the intervention / support of the state is becoming more and more important. In other words, government investment in infrastructure, education, job training and re-engineering can lead to increased productivity, living standards and overall Gross Domestic Product. In other words, in order to improve the prospects for economic recovery and growth, the following reforms should be completed, among others:

- The establishment, really, of policies that concern the development of the infrastructure with support from the state on the fiscal side. Thus, Romania could restructure its economy, moving from the manufacturing sectors to new ones, such as services;
- Reforming the banking sector from the ground up, by allocating capital, providing funds to small and medium enterprises, but also to the population in the sense of developing the activity at a fair interest rate and even risk management, much more responsible;
- Rebalancing of power (Stiglitz, J., E. - *Euro. How the common currency threatens the future of Europe.* 2016), whether we are talking about the economic or the political;
- Climate change (Stiglitz, J., E. - *Euro. How the common currency threatens the future of Europe.*, 2016) and the implementation of medium and long-term strategies to use green, renewable energy, moreover a very important chapter included in the National Recovery and Resilience Plan;
- Promotion of non-discrimination and equality. Not to forget that markets alone produce excessive levels of inequality, levels that should be unacceptable from a social point of view, but above all economically, leading to the undermining of economic performance;
- Implementing an effective communication mechanism and even reducing bureaucracy.

It is true that most of the time the way in which an essential aspect regarding Romania's economy and implicitly the well-being of the population is communicated suffers, especially through the way the messages transmitted are understood and interpreted. And if this aspect were not enough, the bureaucracy that dominates some state institutions should be reduced, perhaps even eliminated.

This essential element of development must come both from the state and from the population through the simple way of accepting and using the technology that is in continuous evolution, of the IT industry with all its components and that has known in the last decades a growing trend materialized both through innovation and through the income brought to specialists in the field.

5. Conclusions

Achieving the objective implies reducing the gaps with developed countries, the continuous need to support one's own economy, without resorting to expensive loans, the need for growth, however insignificant, but constant. In this sense, not only at the level of Romania, but also of the European leaders, it was recognized that the problems that have arisen can only be managed through sustainable development-which is based on economic growth. The situation faced by the community of which Romania is also a part is in difficulty and is characterized more by divergence and less by convergence, a fact for which crises are no longer a rarity and that is why political cohesion is needed, bearing in mind view and the armed conflict in Eastern Europe, and of a much greater, more attractive social solidarity.

It should also be remembered that this political cohesion must be argued and well put into practice in order to generate socio-economic stability in the area, the resumption of import-export activity

with products of any kind (agricultural, industrial, etc.), in order to reduce economic slippages, but and refueling at optimal capacity with gas and oil products not only of Romania, but also of the member countries of the European Union. In other words, the effort made by the competent institutions of the European Union, of which the 27 states are a part, but also by the other economic forces worldwide, through the policies and sanctions instituted, would have no other purpose than that of balancing the situation in the conflict zone, which at the given time creates significant fluctuations in macroeconomic indicators, which also affect the strongest economies of Europe and beyond. Thus, the strengthening of economic activity based on the support offered by international financial institutions and the National Recovery and Resilience Plan represents the first and most important element of the growth so necessary to speak of a continuation of fiscal consolidation, based on fiscal-budgetary policies, in order to restore the confidence of investors and the population in the actions of the Romanian government.

It must also be considered in order to reduce public deficits, identify the factors with a pronounced impact on economic indicators, the most relevant ones, increase productivity through technology and re-technology, and implicitly stabilize the economy, which has been and is subjected in recent years to increasing pressure due to the COVID 19 pandemic but also the mentioned conflict. All this combined effort must aim to reduce dependence, as much as possible, on external factors, on loans, sometimes expensive, simultaneously with fiscal consolidation measures, through reforms and policies well anchored in reality, which will support and truly support Romania's economy whose immediate goal is to create an environment conducive to the development of infrastructure, attracting investors, absorbing non-reimbursable funds and implicitly reducing the public debt.

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