

Pop, Napoleon; Ioan-Franc, Valeriu

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A prolonged divorce between economists and politicians

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**ROMANIAN ACADEMY
NATIONAL INSTITUTE OF ECONOMIC
RESEARCH**

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***A PROLONGED DIVORCE
BETWEEN ECONOMISTS AND POLITICIANS***

NAPOLEON POP , VALERIU IOAN-FRANC

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A PROLONGED DIVORCE BETWEEN ECONOMISTS AND POLITICIANS¹

NAPOLEON POP*, VALERIU IOAN-FRANC*

„Life is made as such that one can never be certain of anything, neither events, nor people: sometimes they may think of you, but most of the times they will forget you. So, unless you build something steady inside, you will always be shaken, confused.”

Omraam Mikhaël Aïvanhov

Abstract: *The academic world says that the divorce between economists and politicians became visible during the financial crisis that began in 2008, when the economists were criticised for failing to preview the crisis, on the one hand, and, on the other hand, for the slowness in accompanying the solutions to remedy the crisis which should have been suggested by the politicians in an emergency situation, of financial collapse. The divorce itself has been lasting for a long time with the relationship deteriorating for many other reasons. In the background there is (1) an elite of Nobel prize winning economists with permanent training and inclination towards research and results worthy of consideration, and (2) a political class in a quasi-constant professional decline. It is a worrying fact, also publicly acknowledged. The 21st century, which marks the greatest technological advance of the fourth industrial revolution, started with avatars coming seemingly from nowhere. Yet, this century which began with so much hope, brings us in the face of yet another break between science and practice. The phenomenon we refer to in the current study is just a small part of what it should have been the collaboration between politicians and science in general, but the specifics of the divorce we approach in this essay is the fact that it deepens.*

Keywords: *general economics; information and uncertainty; economic policies, politics and sociological system; national government policies; public policy.*

JEL: *A1; A11; B20; B52; H5; J18.*

Introduction

In our opinion, the impact of the politics – expertise collaboration, in the broadest sense of the notion, leaves deep, hard to heal wounds in society. The political blames the impasse on a lack of financial resources while the effect is also felt in economy and its financial performances, for which the politicians are primarily responsible. Minds which forgot the state's attributes, given by the citizens, have gradually underfunded the areas they were supposed to manage as a matter of obligation and priority. There followed the European Structural Funds – totally misinterpreted as something one can't live without –, but which turned the governments in the wealthiest economic agent, deeply connected to the business. The „state budget” resource that we supported and believed to be regulated and controlled by the governments is forgotten (is it really?). Transactions should be managed, through fair auctions, by state companies and firms. The famous targeted auctions became another exercise of breaking technical specifications from science, but they moulded perfectly precisely on the lack of science and knowledge of the winners of the political competition, as a result of endless court cases and with long-delayed or even absent investments in their substance.

This matter of facts is due to the shift in the role of the political class from promoting national interests to promoting group interests. The consequence, which is scourge for us all, is

¹ The views expressed in this Working Paper are those of the authors and do not necessarily represent the views of the National Institute of Economic Research.

* National Institute for Economic Research, Romanian Academy, Bucharest.

endemic corruption, stated – and it's a shame – by the corrupted politicians themselves, determining economists' retreat in the shells of their own laboratories, for their own safety. Thus, it was created, and with great pleasure too, we suspect, a nightmarish image for Romania as an EU (MS) member state by some of the politicians in the exercise of their temporary mandates. They don't talk about corrupt people in Romania, but about the Romania being a totally corrupt country, which is a great offence to the Romanian economists at least. How can one take the corruption to the level of a country's entire population, with social strata of million people with the lowest incomes in the EU, when one of its' goals (EU's, should we still believe it) is the prosperity of its citizens? Yes, we can talk about a certain category of citizens, politicians who, reaching the positions they wanted, are only paying back ten times more the pecuniary contribution to become and/or stay politicians.

But how could we accept the public outbursts regarding Romania if there wasn't the obedience we show in the majority of EU forums, through our fellow citizens for the elections of whom as our representatives we spent money. We repeatedly stated that Romania only participates in the consensus established by the powerful ones in the EU, to say it academically, instead of referring to the biology of the back always bent.

The phenomenon of the divorce between economists and politicians manifests itself everywhere, including in the developed world, with harsh consequences. Its causes border on what is rational, coherent, predictable, preventive, stabilising in the mix of public policies that are the task of the politicians in power. Romania makes no exception, if one is to look at its economic accomplishments over three decades of market economy. The observation of economists and politicians alike is that the lack of vision for the country's long-term development is what made us what we are today, the laggards of Europe. Even today, we still don't have a strategy that, in a single sentence, can say what we want to do in this country! The joke „We have a country, what shall we do with it?” is still valid.

The approach of the emergencies determined by risks, internal or external, by the politics leaves the impression that they are too easily and irresponsibly „by passing” them.

1. Pending responsibilities and decisions

The complete lack of concern for preparing the country for a fourth wave of the pandemic borders on the absurd. The structural lack of correlation between the public policies in the field put the objectives at odds with each other, while the lack of control, by excluding the experts, over the evolution of certain phenomena to their hard to break ossification have become a costly habit. A culmination of this behaviour, as another example, is the focus of political success on the economic growth of 2021, indeed a miracle after the one of 2020, disconnected from its real causes. The low base from which it started, left by the pandemic year 2020 and the collateral developments, likely to destabilize the country macroeconomically, targeting the purchasing power of the national currency, appear as something unbearable to economists, offending their intelligence. But the farce was taken up by the proselytised and partisan media, under the benefit of unsupported successes.

Romania has an economic growth poorly supported by the fiscal stimuli which are the government's responsibility, even if other indications, recommendations, suspension of constraining rules come from Brussels and Frankfurt. The priority is the acknowledgement of a history that brought us into the excessive deficit procedure that could have been avoided in advance, illustrating – actually – the current impoverishment of the population. The economic growth is based on the resumption of private initiative and aggregated private consumption based on the savings from 2020, about to end, though. The worrying issue is inflation, coming from the conditions of the national supply, an old problem already, as economic restructuring consisted in thinning and demolishing it, precisely in the sectors that were producing what was the most needed for the population's consumption. The situation of the agricultural sector, for example, with its

declining added value performance remains tributary to a negative trade balance which could predict famine in this country!

The only „stimulating” action of the government was the freezing of the wages and pensions incomes as well as other benefits, omitting the far too negative collateral effects of this economic growth, regarded one-dimensionally. The respective act was accompanied by numerous intentions of so-called improvements of the system of payments and pensions, through multiple and incoherent solutions, possible solutions changed from one day to another, meaningless and not correlated with other policies. Probably the only purpose was to induce a general panic maintained by keeping the topic on TV, day after day, giving the impression of a well-coordinated game to make the citizen’s heart skip a beat. This new type of austerity, undeclared, led to the highest government deficit among the EU MS. Without the stimulation of the national supply, the economic growth regarded as the ultimate political priority and always unfulfilled, contributes, in fact, to other states’ dynamics. As a result, there is massive import in the absence of any government support (no industrial policy, no support for agriculture!) helping the economic growth of the states that export monthly, in the absence of national supply, with the effect of deepening the trade and current account deficit, but also of increasing to about 50% of the country’s public debt in the GDP. The direct public debt was, in the first nine months of 2021, of 59.1 billion euro. Considering the current account and trade deficits, economists rightly explain that, instead of recovery, we have a policy of survival.

The massive use of the public debt’s space, without any clear explanation of the destinations of the public debt (already 50% of the GDP), has not only failed to improve the social situation, but leaves behind no investment to ensure the long-term development and economic restructuring so as to say that its effects reach the citizen pocket. One should also add the inflation breaking new records in our country, currently caused less by the pandemic and more by the lack of a national concept regarding the approach of the energy prices’ liberalization in a country where 40% of the population is on the verge of poverty and social exclusion. There were rushed decisions with costs to be seen soon and to be paid by the most vulnerable. The liberalization of energy prices was another concept mechanically taken over from EU, without any reaction of positioning in relation with the realities in our country on the part of our representatives. It is a weak consolation to us the fact that other MS experienced a similar shock as they were better prepared to absorb it.

Are our politicians, through their sinecure experts, in possession of the Eurostat (European Statistical Office) data? According to the official statistics of the EU exclusivist club – to which we also contribute over a billion euro monthly – in 2020 more than a quarter of the EU population ran the risk of poverty and social exclusion and only 4 MS exceed the average: Romania (35.8%), Bulgaria (33.6%), Greece (27.5%) and Spain (27%). It results that Romanians and Bulgarians ran the highest risk of poverty and social exclusion in the EU, and, when they froze the incomes of the citizens in 2021 too, our politicians could have taken into account this reality known for quite a while which became even more harsh, after the liberalization of the energy market. Does it give us any comfort that this state has been confirmed for years by studies carried out by an academic research institute – the Quality Research Institute?

In contrast, other MS have much lower shares: Czech Republic (11.5%), Slovakia (13.8%), Slovenia (14.3%), The Netherlands (15.8%) and Finland (15.9%). Unfortunately, Romanian citizens are included in the 96.5 million EU citizens reported as people being at risk of poverty and social exclusion (21.9% of the EU population). We also have a definition of the risk of poverty and social exclusion; its severity being determined by three components: poverty; severe material deprivation and social disadvantage; housing in very low work intensity households. Knowing from the Constitution that we have a market economy, but also that approximately 40% of the total of our

citizens can not enjoy this political engagement, is it also known how to solve the problem about to worsen? In the context, we are surprised by the growth of direct foreign investments in the first 9 months of 2021 – a volume of about 5.3 billion euros, +214.8% – compared with approximately 1.68 billion euro in the same period of 2020, consisting of 4 383 equity participations and intra-group loans of over 800 billion euro. A closer analysis shows that what drives the non-residents to Romania is the gap in the national supply which is not addressed by the national public policies. They are probably guiding themselves by economic advice that can be taken into account, which is not the case in Romania. The areas under attack are the sphere of services, transportation, communications, professional and administrative activities, warehousing, logistics in the private sector, where the state seems completely inhibited by its own confusions about what and how to get involved.

Recognizing that the liberalization of energy and gas markets was done wrong has the downside that MS of the EU require a joint, strong intervention of the state in a common market that doesn't exist. The voices of economists in helping the politicians are lost as an increasingly weak echo in the ears of politicians too young and without any practical experience, but endorsed with multiple degrees certificates instead of genuine diplomas, reinforcing the feeling of a definitive divorce between science and the alleged knowledge of the of the specialists who lead us. There is no surprise that the political decisions with economic implications taken without any fundamentals and evaluation of their effects over various timeframes are more than voluntary. There is no obvious connection between the many pages-CVs of the politicians, their little practice and the high decision-making positions where they were propelled. Also, there is no wonder that politicians lead us, usually, towards cheap populism in statements, but expensive in money as a currency exchange in perpetuating power and towards a new kind of austerity, undeclared on purpose, which makes no sense in these times marked by a complex crisis like no other, a combination between a killer pandemic with no chance of being completely defeated and an economy that needs to be reborn from ashes.

Listening only to what others want in the „concert“ of the partnership with the EU becomes increasingly worrying as long as the promises to become proactive in the EU decisions remain mere slogans. Eu admits, with difficulty, under the pressure of heavy criticism from certain MS (and Romania is not among them, although economists in the country debated intensely the current energy issue) that it took some hasty decisions, which, in the end, affects *its most important goal*, we can't say that enough, *the prosperity of the European citizens, implicitly, the Romanian citizens, too*. It is being admitted that, in this respect, some backsteps have been made, especially as a consequence of subsidiarity measures believed to be flawless, when EU itself was forced to give up, temporarily, through suspension, the most important constraints on the macroeconomic balance thresholds of the MS such as the Stability and Growth Pact (SGP) or the Fiscal Pact (FP) in order to overcome an exceptional situation which tends to become permanent. Maybe this gesture signals an openness towards certain changes, absolutely necessary, until the return to the SGP rules, suspended for now.

The Economy Commissioner, Paolo Gentilomi, stated, on November 19, 2021, before the MS finance ministers that a revision of SGP is needed, as its austerity rules are captive to development (3% budget deficit and 60% debt threshold) and were elaborated based on economic balances pertaining to other times. There are growing views that the economics textbooks should be rewritten as well², as their interpretation has remained too dogmatic, in many aspects, in the face of the world's economic realities. The SGP constraints no longer correspond to the current economic circumstances, thickly outlined and imposed by the economic effects of the pandemic. Probably the debates on the topic will end, like the ones in 2010, reinstating the position of certain advocates that they stay sacrosanct so that the spiral of the public debt is avoided.

² A recommendation, for which National Institute of Economic Research - Romanian Academy deserves credit is the promotion in Romanian of the important volume of John Komlos, *Principiile economiei într-o lume postcriză*, 576 p., published by the Economic Information and Documentation Centre, 2019.

Certain resentments combined with xenophobia seems to be in place, encouraged by some Nordic MS against South MS, including Romania, for not managing their finances well. The way P. Gentilomi sees the exercise falls into the same EU characteristic slowness regarding crucial things (such as the establishment of the Recovery and Resilience fund – FRR), an initial consensus, a legislative proposal and a precise agreement right on the threshold of lifting the SGP suspension, in January 2023, with the effect on an axe falling on a rotting stump. At the time, we couldn't say where would the public debts of many MS be, as a GDP level. A temporary hope, as the statements of the time are, resides in the fact that the G20 finance ministers and central bankers, reunited in the fall of 2021 in Washington, engaged to avoid, for now, any rushed withdrawal of support for economy, with central banks monitoring the inflation dynamics. We pretty much know the ways of the so-called reservation, but, as economists, we hope that it doesn't lead to the „old normal“, which, in our opinion is hard to monitor in a world we all say it's changing. From temporary or transient inflation the last message of economists is vigilance and caution.

2. About people through economy and politics

When talking about economy or politics, in any order, we are actually talking about people. Neither of them can exist outside the existence of people, their action and interaction. They are the subject or the actors of the most material equation which is supposed to ensure our biological and spiritual existence, of social coexistence in harmony. The democratic system and the *market economy* managed, at least in theory, *to put the respective equation in the best functioning dynamics*. According to some experts, achieving a historical optimum would be the greatest duty of politicians, who, unfortunately, merely talk, declaim and make promises regarding the prosperity of the citizens they lead. The path from words to deeds, in the 30 years during which Romania believes to have re(appropriated) the values of democracy and market economy, proved to be long and difficult (there has been more than one talk about the light at the end of the tunnel in this country in the attempt to plant the seeds of hope!). There have always been new beginnings, and the bases of the „heavy legacies“ left by the predecessors, always denied, have been changed with the result of the widening of the gap between goals and performance.

What was noticed, and with a seriousness hard to explain to the citizens, is the fact that competence was not to blame each time, especially in the health and health care sector where we have a professional executive elite. The absolute priority and emergency of this time seem to have been postponed by a sabotage of the national research and the specialists' statements, compounded by a visible lack of concern for preventive care regarding the ever following pandemic wave on the part of the state. Since the spring of 2021, the politicians have known about the increased aggressiveness and speed of contamination of the Delta variant, but have taken no action. Wrong, understated assessments, below wave 2 of the pandemic, of the INSP regarding the number of ICU beds and medication are challenging the credibility of a structure of the Ministry of Health's own backyard. Could we be talking about political sinecures instead of specialists here, too? Is there any wonder why we are facing the limit of failure of any government programme, not to mention the state through its institutions? We hear about a new wave of the pandemic in Romania with a peak starting in February 2022. The remaining months are few, but we hear nothing about a forward-looking involvement or, maybe, we shall just follow the unlearned lesson of the previous wave's management? (Ioan-Franc, Diamescu, 2021)³.

³ V. Ioan-Franc; A.M. Diamescu (2021) – *Pandemia. Lecții deocamdată învățate?!*, in „Pandemia. Constrângeri și oportunități economice”, Romanian Academy Publishing House, pp. 557-571.

3. Europeanization of Romania – a country project

The Europeanization of Romania, starting with 1990, after a stage of enforced totalitarianism, meant taking on and managing a free economy, open and subject to risks, in counterpart with the freedom of the individual to start from equal opportunities and have private initiatives, to confront in a competitive environment, thus taking risks on open markets. In this framework, the relationship between the state and the market would have meant a different type of citizen-state social contract. However, not even 30 years later, with alternating political power, were there any answers found to crucial questions for Romania: *how much state and how much market?; what is the role of the citizen in a market economy?; how is responsibility shared between the individual with inalienable rights and the state which must defend these rights and meet the democratic criteria of governance?; how many ministers, few and efficient, responsible etc.* Here's what led to a mix of right and left ideologies and to governances lacking any clear ideologies as well as remarkable economic accomplishments. A resounding minimal growth hides many anomalies.

The answer seems to be easy, it is the lack of knowledge regarding terms such as marketing and market economy, mixing them to their opposite meaning, as we legislate one and practice another. To go so far as to advocate the abolition of private property (claimed by today's members of the „resist“ movement!) which kills initiative, is only proof of the childishness of the ones who have never known totalitarianism except through the advantages of their parents, quartered in the oppression systems of the citizen's freedom (see the statements of a prime minister-designated or the blunder of a Ministry of Justice, a neo marxist, who stated that human rights a luxury!). At best, we are skilfully applying exceptions from the rules, with precise destinations, following the model full of original elements of our politicians, *to practice what suits a few with the effects of the imbalances that accumulate and deepen for the others, many.*

Economy and politics are sciences, but instead of combining them for their sound knowledge and performances, we are knowingly contrasting them. The results are the uttering of political opinions that border on the *economists' bewilderment*, and the public policies that send into disarray the simplest macroeconomics correlations that proved their practical viability, the only ones that one can build something sound on, budgets, fiscal consolidation, public debt etc. In one of our articles (Pop, Ioan-Franc, 2021)⁴ that, legally, we have a social market economy, according to the Constitution, but the governance programmes sin by *aiming at growth without economic development*, no matter if they start with the resources to be created in order to give the market economy its social allure, later on with budget allocation and their social distribution, always leaving behind the identification of resources. Reality determines that the importance granted to social is in the hands of those who distribute the money and not necessary in the level of resources to be distributed.

The mixing of ideologies culminated with the state *stopping laws by means of law* regarding the increase of incomes and social expenditures requiring the maximum responsibility on the part of the citizen, either as consumer or entrepreneur, in contributing fairly and timely to the state budget, all of it from private sources. One is horrified by politicians' use of the syntagm „public revenues“, when they forget the source of such revenues, as well as the intensely repeated syntagm „state pensions“ (which ones? the ones from the active contribution of the citizens from their incomes!) in order to give the sense of the state's effort to pay for it, when, in fact, all the state does is to poorly administrate a fund of the citizens' contribution over time. We don't know what is the pensions fund doing in the structure of the state budget apart from being manipulated by certain politicians, with the deficits of other expenditure budgets the latter being public expenditure that need to be accounted for to the citizen. The citizen taxpayer is free to find his own way through the unstable

⁴ N. Pop; V. Ioan-Franc (2021) - *Suntem economie de piață sau economie socială de piață?*, in *Academica*, no. 11.

and unpredictable labyrinth created by the one who should, too, manage the risks of the market economy and make sure they will have the least impact on the citizen.

4. Involving economic academic research in integration efforts

Has anyone made a simple graph too see that the winding road of a firm/ company which enters the market in Romania takes a little less than 2 weeks (20 minutes in France!) yet it is paved with syringe needles with toxic content for their life, imposed by the state which weakens even the healthiest local companies? Is it known, yet nothing is done, that the profitless, decapitalized companies but with commercial debts and outstanding loans defaulted on beyond legal deadlines can barely be taken out of the market, with formalities that take years?

Perhaps the MFP should put some order in this situation when they complain about ongoing tax evasion. The taxpayer has also the duty to manage his own risks. It has come only to sheer contemplation of the results on an ugly divorce between politics and the real economy, but this was not like this from the beginning of the systemic transition in Romania.

The effects consolidated gradually by the diminishing to the point of breakdown of the collaboration between the politicians who end up governing dissonantly and without communicating with each other and the sound economists of this country who have been monitoring phenomena for years, over many electoral cycles and speak their minds loudly without being listened to.

We presented on many occasions the engagement of the Romanian economists from the Romanian Academy, through the component institutes of the National Institute for Economic Research. They supported thoroughly the responsible participation to three major strategies – 1990, 1995, 2000 – through which they succeeded in pointing out some visions, starting with the systemic transition and ending with Romania's accession to the EU (Chivu, Ioan-Franc, 2018)⁵. It was a successful involvement, since the respective strategies endured in implementation. Many researchers occupied important public positions at the age of 40-45, a little more mature than the researchers today, with *authentic degrees and proved competences*. In addition, they belonged to a professional guild where communication was mandatory, proving respect and solicitude in the hierarchies they worked. The current generation of government leaders with *ephemeral studies abroad* should also know that *complex studies regarding democracy, capitalism, market economy and their functioning mechanisms were made in all economic institutes of Romanian Academy, long before 1990, and that these themes were taught in faculties, too*. There was CEPECA where refresher classes in marketing and international management based on the free market laws were taught. So, there was a legal, subtle training in the capitalist system although it was motivated by the comparative criticism between the two ideological systems.

5. Excessive politicization of public office

Two phenomena are worth mentioning as the beginning of the divorce between politicians and economists. The first one refers to the economists in the first governments as being technocrats, and the ones who entered politics as deputies, senators, ministers and state secretaries made it through their professional competence recognized and proven by their results in applying the strategies. Currently, without prejudicing the youth of the politicians, the competence criteria have been replaced by the size of the party contributions, while the legislative product, which sets the economy in motion, is increasingly being validated for constitutionality, if not by prosecutors and

⁵ L. Chivu; V. Ioan-Franc (2018) – *Evoluția cercetării economice din România în ultimul secol*, Studii economice, no. 4/2018, National Institute of Economic Research – Romanian Academy.

judges. Yet this shows that the surprising number of diplomas listed in the CVs and obtained at such ages, doesn't validate real skills, but the rushed climb up steps⁶ to political affirmation. Before whom? The party leaders, in their own image!

The second phenomenon, which complements the first, was the excessive politicisation of the public functions and their downgrading which led to the diminished presence of the economists of a generation, on the grounds that, being politically unengaged, they weren't trusted any longer. To whom and with respect to what weren't they to be trusted remains a rhetorical question to many of us (Pop, 2021)⁷. From a practical point of view, it is worth remembering that, for the implementation of the Association Agreement and Romania's Accession to the EU Agreement it was customary to leave with a mandate from the government and the parliament, which is no longer a practice today. The interests supported in the multitude of Brussels committees are not known, but we are in for surprises. The only thing known is the consensus secured by the dictation of others which upsets the ones in the country by its subsequent enforceability. The result is the ongoing criticism of the European Commission either that regulations are not respected or that directives are not correctly transposed. All of it registered in the country recommendation reports. It is sad that some of them represent steps backwards to some reforms already implemented while some others leave the impression of not having been read or having been ignored since they are, constantly, repeated (Ioan-Franc, 2019).

The European Law since Romania's de jure accession to the EU might have been more favourable, at least from the point of view of some ante legislation expertise asked by the government to the 80 research institutes of the Romanian Academy, with all the specialities converging to the European law making requirements. We admitted we weren't active in the EU forums, and, for 15 years, we have been promising to be proactive in the European bodies, but this requires to go there with the substance of the national interests assumed and doubled by the knowledge and expertise given by the specialists we still have to the politicians who represent us. And this at a time when research in Romania not only that is being ignored, but also chronically underfunded. During totalitarianism, Romania had over 23.000⁸ researchers, a position hard to access. The aim was to hone theoretical knowledge at university and then to courageously „sneak“ it into the politicians' practice. Currently, National Institute for Economic Research alone, from the area of all economic studies of all fields of Romanian economy's structure, has ten times fewer researchers than in 1990 (approximately 230), not to mention that the money allocated from the budget are exclusively for salaries. Documentation is done scarcely, lucky for the internet! In the past, for one to reach the field of research it was necessary to work in production for two years. Today, for the first step of the third-level researcher (which requires a Ph.D., a fast-tracked one, admittedly), the net salary is close to the minimum. What kind of passion is that to replace the minimum necessities of a decent life? A work place or passion, or the devotion to objectivity, the only one that brings satisfaction, even though currently it is being wasted in an echoless void?

A weak revival of academic research took place in 2018 with the establishment of the National Commission for the draft plan to prepare Romania's accession to the euro area, together with representatives of parties, employers and unions. A relative consensus was reached comparable to the ones regarding the previously mentioned strategies and the plan was taken under the umbrella of Romanian Academy, as symbol of political forces united for a national project which had become of geo-economic and geo-strategic importance. It is vaguely evoked, while the data of a possible adoption of the euro is being pushed around like a billiard ball and not necessarily because of the

⁶ And how phony are the rushed steps!

⁷ N. Pop (2021) – *Despre o anume fericire. Memorii, mărturii și atitudini din tranziție*, Expert Publishing House, Bucharest.

⁸ Out of a total of 55.957, researchers and designers with higher education, Statistical Yearbook of Romania, 1990, p.190.

pandemic or economic crises. However, there was no compliance to any criteria of the Maastricht matrix, nor any serious inclusion of them in the government programmes. It is this dazzling style of creating incertitude and confusion, deliberate or out ignorance regarding the repercussions on those outside us that monitor our political statements. We have actually undermined Romania's reputation to be able to get out of the euro derogation clause, and the ongoing comparative view concerning other MS that delay it is but a cheap subterfuge. Maybe each MS has its own reasons. However, it seems that Romania hasn't understood that euro is a political project, and for its regional isolation euro has become a geo-political project. Apart from the statements regarding possible dates, the government is far from focusing on the goal, having other priorities, customized enough in the NRRP barely approved by the European Commission near the deadline.

6. Recovery and resilience or national economic reset?

The elaboration of NRRP stands as another good example of a divorce, even wider, concerning the secretive style of putting it on paper apparently by one person (and the typist). The coalition members were surprised at not being consulted, but only presented a fait accompli with unlisted government goals. Moreover, it wasn't sent to the members of the parliament either. However, this country is going to indebt itself to the loan part of the 29.8 billion euro. Even after the symbolic signing by the Head of the European Commission, Ursula von der Leyen, it was kept a secret. Not to mention it hasn't been understood what the respective programme had to contain (while having been three times sent back to be reformulated, within the same discrete circle). The understanding could have resulted from the very title of the Recovery and Resilience Fund (RRF), a fund approved after very difficult negotiations and political approval and late with respect to the urgency of dealing with the economic effects of the pandemic. What happened to the respective program, which may hardly bring in the most part of the money after the beginning of 2022, *borders on the concept of democracy in a country that claims to have a functional social market economy*. We are surprised at the authors' little knowledge of the national economy and its recovery necessities. Or, maybe, it's their economy that economists have no knowledge of!

Many politicians say about RRF that it is our life ring, an expression of multiple meanings from an academic point of view, which are not hard to be discerned: at the mercy of others, own incapacity, budget poverty etc. it may be a self-criticism of the results of the government, or of the others before, an endless and recurrent saraband of criticism regarding the development of Romania (Ioan-Franc, Diamescu, 2021)⁹. A sure fact is that our own NRRP doesn't show a scientific foundation in a crucial moment for our economy, which not only has to be competitively improved through recovery, but it also needs restructuring in the face of challenges – climate changes, green economy, digitalization – if one wants to make it more resilient to the new risks. We can talk about restructuring at the confluence of two large-scale, completely unfortunate, very *stupidly overlapped* phenomena, green economy and rising energy prices. About the way to reach a zero-carbon economy, leading scientists have drawn attention to the delusional desire of reaching in high speed a... perpetuum mobile. It is not a joke, but a metaphor based on two considerations. The first, which dominated for a long time the general polemic, was to minimize the danger of climate changes, with minimization of effects, too, only to reach today the conclusion of a possible reversal after the critical point of a possible control. The second consideration was linked to the costs of achieving a carbon-zero economy, of which we have all become very aware. The start of restructuring necessary for a carbon-zero economy seem to be more polluting and costly until the alignment with the Paris Agreement objectives is achieved. Emerging countries face real problems in transforming their industries because of the lack of financial resources for development in general and of the poverty

⁹ V. Ioan-Franc; A.M. Diamescu (2021) – *The Crisis After the Crisis – Resilience or Reset?*, Amfiteatru Economic, 23(58).

of populations in particular. Romania would be in this Procrustian bed too, if it was to count on its annual budget alone.

Zero-carbon economy especially at the agreed speed will costs, during the next 30-50 years, as much as the assimilation of the benefits of the last two industrial revolutions which, at least were related to and continued the transformation towards modernity, free of the worries of energy costs and pollution. Technological innovations are at hand even now, they went beyond the worrying statements of the politicians, but need total reconversion investments with considerable social effects, the financing of which not being addressed by the Romanian state either in form of specifications or involvement. What should the private environment think about the seriousness of the danger under such circumstances? Sure, the war on climate changes became necessary because they have already been harming the human species. It is the same species that is called to put its workforce to good use and we believe that, with wise governments where science, knowledge and competences are part of the way to fair decisions, people's work will be fairly rewarded.

Romania had a good start, having managed, through the private initiative of some Romanian and foreign investors, a breakthrough in the area of renewable energy for more than a decade (windmills and photovoltaic parks). Let us remember how difficult it was to connect them to the national energetic system and how all the promised incentives have slowly disappeared. Volumes of feasibility studies and financing formulas have been written on the two nuclear capacities – 3 and 4 – not yet commissioned, but 30 years passed and nothing happened, amid a much-trumpeted necessity of an energetic security strategy of Romania. Currently, in a total financial chaos, we have politicians who are talking about Romania's energy independence (!), while we are unable to exploit our own resources which could cover 90% of our gas consumption according to the specialists. But it is as if someone is stopping us from optimally exploit them and is forcing us to keep the gas deposits empty. We closed the coal-fired power plants, while the modern technology gas-fired one at Iernauteni has been unfinished for years. Are we trying again to demonstrate politically (to whom?) that we are the first to listen to what others decide, no matter of the chaos created nationally? Offshore oil and gas exploitations are at the beginning, and the data of their full commercialization is still unknown.

The question of some economists is a simple one: Where is all this blindness coming from? Is it from own incompetence or is it coming from others? Is 20% of the electricity produced from nuclear energy, which is less polluting so far, too little for Romania's consumption?

What if we reached 40%? Since Germany doesn't want nuclear energy (although in the last months there has been political pressure to drop the ban), it turned to the Russian gas, a decision that no one else has a pressing need to be secured for other MS, including Romania. Were we forced to procrastinate the investments in nuclear energy when France produced more than 70% of its necessary of electricity from its own nuclear power plants? We waited for decisions coming from EU, which currently have become confusing for the majority of the MS. The bureaucrats in Brussels managed to conjure up a programme to tackle climate change with the most dynamic rise, in days, of costs in gas and electricity. The impact for Romania is devastating, the domestic consumers and businesses having to face unimaginable utilities costs. What is more to say about those politicians who agreed with everything in Brussels and Strasbourg, chatty when in the country, but less talkative in the conclave of EU decisions that concern us in the most essential area? Currently, they can barely control the enslaving bills for citizens and production, when they want a competitive economy inclusively through a structural conversion of the Green Deal type. The liberalisation of energy prices in Romania was made at a completely inopportune time, but mainly completely unprepared. The consequences will last for long according to experts who can't see the moment of stabilization of the increase in energy prices as a result of growing demand including for conversion into other renewable sources. *How can it be that the same politicians who froze revenues and diminished budgets ask the population to pay 20-30-50% higher bills, in two or three steps with the same increase, without thinking that they incapacitating an industry already poor in export supply or a health system that currently needs more electricity and heating?* How are state hospitals going to pay their increased units from now on? There is also no news about the 2022 budget.

We have a liberalization in the most important area, which keeps an economy functional and, why not, competitive, namely energy. Without energy nothing moves and it is hard to turn it back from the path of price liberalization if its effects and attribution of new costs haven't been correctly assessed. It was known that in the EU there wasn't a single, regulated energy market. It was known that on this hypothetical market there were monopolies, but also a lot of selfishness as practised by Germany. Now, under the social pressure, community solutions are being sought to the fact unleashed and well supplemented by the Eu Green Deal programme elaborated by some bureaucrats who proved their incompetence more than once. Unfortunately, the latter are very penetrating in persuading high-rank politicians in the European Councils. As economists, we maintain that, from now on, perennial solutions to alleviate or control the situation are no longer possible, and those of capping, granting subsidies, payment deferrals, vouchers etc. are temporary palliatives, and the final costs will still be paid by consumers, the more deferred, the higher. The IMF assures, along with a national agency, that energy prices will continue to rise for years to come. Shifting the problem back and forth from suppliers to producers is pointless as long as they invest nothing in their own infrastructure out of the exorbitant profits. But, in Romania there is one other problem with the corporative governance (*Emergency Government Ordinance no.109/2011 regarding corporate governance for public companies, approved with amendments and additions by the Law no.111/2016, with subsequent amendments and additions*) whereby, based on a simple „memorandum“ from the MF and approved by the Prime-Minister all state companies, including energy producers, have had to pay 90% of the profit to the budget as dividends for years. What is there to talk about investment, apart from the fact that equipment wears out and there is no money for repairs or rehabilitation and the 10% left over of the profit has a well-regulated use.

The invocation „let the state sort it out!“ is aberrant, as if, once the state involved in such an emergency create by the state itself, there will be more gas and electricity. Where should a greater national supply instantly come from? The markets don't work according to the government juridical norms or the laws of the parliament, and every idea of fixing a neglected act of the state has the reversed result, discouraging investments where they are the most necessary. Referring to the solution, *economists say these are only painkillers which don't cure the disease only delay it with even greater outbreaks. The tendency towards an fragmented and populist statism supported by proles who proved their professional incompetence, should raise the question of whether it was not the state itself that triggered the crisis and the explosion of bills, and from this point of view the examples of premature closing or leaving to fail of the coal mines and coal-fired powerplants, of introducing CO2 certificates speak for themselves.* The problem of energy crisis is European and global. The agreed solution is to blame the exogenous factors as a reason of exoneration of the politicians from the responsibility of a competent national governance.

Economist have always drawn attention that state interventionism, where it is not necessary, leads to further interventionism, and the energy crisis in Romania only confirms this vicious circle. The new interventionism in „calming“ the crisis follows on from other statism interventions that were wrongly done many years ago.

7. Partial solutions versus learned lessons?

We come to the way in which Romania prepared itself for another (the fourth!) pandemic wave and to the surprise that the inflationist wave gripped us. The inflation prognosis is rising from one month to another, the deficit of the trade and current account are growing. The same is happening to the exchange rate of the leu which is on the brink of falling over to 5 lei to euro. While the economists and *economic analysts think holistically, in terms of cause and effect (fixing the effects is not the solution), with the solution of attacking the causes with calm and open mind, based on the lessons of the previous crises, our politicians, each after to his or her own ministry, think of partial solutions that*

serves them exclusively and which hit like a billiard ball the solutions thought of by the representatives of other fields. There is an obvious lack of communication and conviviality at the same table between politicians and economists, as well as the lack of consultation between politicians of different colours for the eternal reason of the „heavy legacy“ that they leave to one another. *So then, where has this country come, when the constructive dialog is mined by hatred?*

It is the right time for an assessment of reality, as an assumed opinion: it is about recognizing the fact that we are witnessing a weakening in quality of the parliament as a law-making body, the error starting from the „targeted“ selections made by the party presidents for the deputies and senators elections so as to serve their interests. We, the authors of this appeal, saw for ourselves age and competence, justified by authentic degrees and practice being traded as per the size of the contributions in order to be selected for certain positions or for the elections. We have nothing against age, but the honesty of the understanding on the part of those concerned, regarding how much they are taking on their as well as their responsibility to the nation (is it? Or have we become merely a people?).

And, since we are talking about the ill effect of a weak parliament, from the point of view of basic expertise, the slow speed of action, a panicky, confusing focus on legislating towards an impractical complexity outside of the obligations as an EU MS etc., we would better into the history of humanity, perhaps its most enlightened part from the point of view of the lessons still available today. Pythagoras is an example of a philosopher mathematician who left some advice in „Moral and political laws“¹⁰. Shouldn't a general invitation such as „Temperate life, in the service of good and justice has to be the basis of the political organization of a state“ sound like an article in the Constitution or the core of a government? Or, for the politicians: „Don't spread the news of a bad deed! Act in such a way that its smallest traces be gone as soon as possible. Let evil die!“, or for the media it would be good: „Believe only half of what the ones who come and snitch evil deeds say“. And to the Romanian parliamentarians: „*Legislator! Don't leave the statemen the time to get used to power and honours!; Legislator! Take care not to be mistaken!; Individual rights are not the same as people's rights because once they have become «people», humans stop being individuals; Few «people», but many citizens!; Obey the laws, even if they are bad!; Don't obey humans, unless they are better than you!; Don't call to magistracy except men who are at the peak of their lives*“. And to the system: „*The most shameful thing of a governance is the stalking and prying of men*“.

8. Green energy at twice the costs of conventional energy ?

Coming back to the issue of the day, that of energy costs which, according to many opinions even that of the Competition Council, will continue to rise for years to come, there are also diverging opinions among leading specialists. While some talk about a mere spike to a higher plateau, after which the waste of the basic effect will lead to minor increases, reality urges even those (IMF) towards increased vigilance. Even the European Commission, following criticism and recommendations of many MS (as France and Italy!) has decided to seriously reflect to the problem of energy prices. Unfortunately, they are issuing a Communication (interesting term!) regarding the energy prices to approach the global exceptional rise of energy prices which is expected to last throughout the winter and to support the population and the European enterprises. Reading the communication, as economist, one finds it staggering in the shallowness repetition of known facts, but also the weakness of the promises that the EU is about to make with effects in, maybe, 2024. How prompt will the EU answer be is clear from the text of the Communication: „The European Commission stated it will examine, also, potential long-term actions to protect the countries from

¹⁰ Pitagora – *Legile morale și politice*, Antet Publishing House, 2003.

the price rises, including joint purchases of natural gas... and it will ask the European Investment Bank to consider accelerating the *«investments in the green transition, in order to reduce the risk of future disruptions» on the energy market*“. The rest of the short-term actions (the emergency income support for household consumers, state aid for enterprises and targeted tax cuts) are the ones also suggested by many MS, they are circulating in Romania too, but the freedom to choose between them, in order to temporarily minimize the effects of the liberalization of the energy market in the MS, will prove to be a failure to be recovered on the expense of the taxpayers. The effects will stay, but the governments can change!

Regarding the medium-term actions for a „decarbonized and resilient energetic system“, otherwise conveyed only as promises to the MS by their governments, they fall into the category of what wasn't done in due time. Out of the suggestions of the European Commission we mention, by exemplification, the intensification of investment in renewable energy sources, the increase of energetic efficiency, making renewable energy tenders more efficient, simplifying the granting of licenses and authorisations, the increase of storage capacities, developing hydrogen batteries, the analysis of advantages and disadvantages of the current Community electricity market for further recommendations of the Commission, the revision of the Regulation on security of supply through better use and operation of gas deposits in Europe, the stimulation of the benefits of a voluntary system of joint purchase of gas stocks by the member states etc. The agenda, as comprising as hard to accomplish, without establishing certain priorities that will help the resolving of others.

The problem of urgency is seriously linked to the effects of the pandemic, says Jeff Currie (Currie, 2021)¹¹, an economist at Global Head of Commodities Research in the *Global Investment Research Division at Goldman Sachs*. He concluded that a period of commodity price pressure will be prolonged due to the impact of inadequate structure compared to the increasing demand after the pandemic. The blame can't be attributed to the faults of the old economy in energy, raw materials or agriculture or the difficulties in transport and supply chains. In fact, the roots of the crash on the respective markets are unresolved effects of the 2018 financial crisis followed by a decade of decrease in profits and chronic underinvestment in various areas and in the old economic structures and infrastructures, one of them being the health sector. It is also the infrastructure we are talking about in the case of supply chains which can no longer cope due to insufficient provision of harbours, the access routes to them, the storage spaces waiting for ships that left with what it was possible all of it generating shortage of materials and equipment for the recovery of industry, one of which, the automotive industry, is suffering for lack of chips, for instance.

An outdated infrastructure, missing adequate investment, is the way in which the old economy, simply dragged down by austerity, is taking its revenge now. Here's an analysis that fits like a glove to how Romania's governments understood to act, before putting the blame on exogenous factors or the self-righteousness of not being alone in this chaos. We have to remember that the danger of economic stagnation after 2008 was managed by the central banks through the instrument of quantitative easing in order to support the markets. Lucky that central banks can't work without professional economists and their independence requires the stripping of some professional politicians of the cloak of compromising political behaviour. But, in the framework of these central bank supports/ stimulus the inequity phenomenon has deepened, as the ones with low incomes faced income freezes, also „helped“ by the low interest rates on savings deposits, economic insecurity and limited access to credits and assets, while the high-income earners benefitted from inflated financial assets following the quantitative easing¹² (Currie, 2021).

¹¹ See Financial Times main article: „The revenge of the old economy“, October 2021.

¹² J. Currie (2021) – „Commodity prices are surviving“, The Economist, Finance and Economics, 16.01.2021.

9. 2021-2022 inflation – a mere spike or a sign of an economic deadlock?

The predicted inflation is weighing heavily on us, but this too is intensely blamed on the economic effects of the pandemic. This is another major area of contention between economists and politicians. According to official data (Eurostat and INS), Romania is among the MS with one of the highest inflation rates, at 5.2% in September 2021 (2.1% in September 2020), compared to the EA average of 3.4%. Under the new circumstances, the annual inflation rate in September 2021 was of 6.3% (INS), pushing the NBR's inflation target even higher. In Romania's case, it reflects the rise of non-food prices by 8.71%, by 4.26% of food prices, and by 3.75% of services prices. While the debate in other geographical area (USA or EA) stays fixed on a temporary inflation, with a possible slowdown in 2022, in Romania it is persistent with the likelihood to reach more than 10% in 2022 which means a new monetary cycle policy to target inflation and its drawbacks for politicians, citizens and the business environment: higher interests, more expensive loans, tightened credit criteria, all likely to diminish the effects of the incentives promised in the midst of the pandemic crisis. On the background of a financial bottleneck of over 320 billion lei (uncollected receivables and unpaid debts) between Romanian companies, it is no wonder that economic analysts predict the possible close down or bankruptcy of over 100 000 companies or, at best, a restructuring of many of them (NBR's analysis), based on managerial inventiveness able to optimize their operational quotas relative to the risk of the expansion of the financial bottleneck, the restriction of access to financing and the decreasing trust in the business partners.

The National Trade Register Office reported that, at the time of the writing of this study,¹³ between January-September 2021, 47 091 companies were deregistered, compared to 36 337 deregistration at the same time of 2020, an increase of 30%. What is intriguing is the fact that most deregistered companies were in cities/areas considered poles of economic growth: Bucharest (+31.8%), the counties Timis (+31.55%), Constanta (+28.68%) and Cluj (+18.99%). This, on the one hand. On the other hand, the areas with the most write-offs were the most important drivers of the economy, trade, construction, manufacturing. An analysis of Sierra Quadrant, a Romanian association of insolvency professional, concludes, with regard to the business environment in the context of simplistic interpretation of economic growth (already above the potential GDP, eroded by flawed public policies), that *„the unprecedented increase in such a short period of time of operation costs, on the background of increased prices in fuel, electricity, gas, transportation, production materials plus the depreciation of the euro, all end up creating major difficulties for the majority of companies in Romania, with direct effects in the decrease of production and sales... The supplier credit turned, unfortunately, into a trap for many SMEs... The lack of trust, the decrease of appetite for business are like cancer for economy“*. The imminent danger for the politicians who promise investments is that an increasing number of companies that win tenders are staring to request increasing financial advances on the work carried out, but they are also about to cancel ongoing contracts. To this, lack of workforce is to be added.

Instead of conclusions

The divorce between economy and politics is much wider than the two examples we referred to, the political preparation of Romania for the fourth wave of the pandemic and the correct interpretation of the economic growth in 2021 respectively. When talking about chaos, one can't describe it as fragmented, isolated, localised, but as a general state from which a victorious way out on a short term is hard to figure. Sadly, *economists may go on with recommendations, but responsibility lies with the politicians.* There is, yet, an unfortunate effect of the quality of the dialogue between ordinary citizens and politicians. In all their hypostases, the economic agents, plus

¹³ The writing of the study was completed at the end of November 2021.

the media, have major responsibilities. If academic expressions such as disaster, catastrophe or failure come from the highest political level, one shouldn't be surprised by the triviality of words on the other side of the divorce, hard to reproduce in full: apart from incompetence or amateurism, there is no place for blunders, but irresponsibility. It is the ugliest stage of a divorce, that of aggressive, continuous verbal confrontation until someone will have to be held accountable for the chaos that has been created. This verbal positioning doesn't mean there are two Romanias, although it's been said that the Romanian society is already much too divided.

We believe in one Romania, still rich and intelligent, which unfortunately has no place in the petty concerns of today's politics. That is what Thomas Mann thought too¹⁴ in the memories dedicated to the writing of his „Doctor Faustus“ in 1945, where he tried to explain to himself the disaster of Germany after the Second World War. Mann believed in one Germany with a great cultural tradition. Its collapse (our emphasis) produces through the access to decisions of the „professionally, civically and morally weakest“.

And, to close the circle of the governance without science, according to INS data validated by Eurostat, in 2020 Romania recorded the lowest share in the GDP for R&D expenditures in the last six years (0.47%), under the post-EU accession level, recorded in 2008 (0.55%) and the peak in 1995 (0.75%). This level must be seen in relation to its consequences for Romanian economy which has increasingly become an outlet market, with the alteration of trade and current account deficits, the little innovation lacking the necessary force for an economic restructuring aimed at increasing the diversity and competitiveness of Romanian products supply, including on the domestic market. Looking ahead, we need to ask ourselves: *how will Romania be able to meet its obligations regarding the targets of climate change control?* And, from the point of view of the increasing lack of men power, *how will it manage to implement on time the projects included in NRRP which is under the most strict monitorization by the European Commission?*

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¹⁴ Th. Mann – *Doctor Faustus*, Rao Publishing House, Bucharest, 1995.