SOME CONSIDERATIONS REGARDING THE ECONOMIC CYCLES IN ROMANIA DURING THE 1859-2010 PERIOD

Abstract. This paper deals with the problem of periodisation of Romania’s economic history during the 1860-2010 period. In order to achieve the objective, several methods are used. A first method is the identification of decennial economic cycles. The second method is to emphasize the impact of economic transitions and other changes in the institutional framework, which Romania has faced during the analysed period in the periodisation of economic history. The third approach is to reveal the advantages of taking into consideration bi-decennial economic cycles for analysis of long-run evolution of the economy of a country.

Key-words: decennial economic cycle, economic transition, bi-decennial economic cycle, institutional framework, functional market economy

JEL Classification: B41, E30, E32, J11

One of the important issues to be solved in the long-term analysis of the evolution of various national economies is to determine the economic development stages and the economic cycles based on a coherent methodology. Thereby conditions are created for better understanding the processes and phenomena taking place during the historical periods subject to investigation, and identifying the laws that acted and continue to operate within some economic systems, as well as formulating some ideas that might prove useful in developing some measures of economic and social policy.

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1. Theoretic-methodological framework of determining the evolution of economic cycles

The issue the existence of cycles, or in other words some fluctuations of economic activities was approached by the economic theory as early as the second half of the 19th century by the contributions of C. Juglar and K. Marx. In fact, the notion of cycle was and still is defined especially within theories adopting and still employing the hypothesis that the natural state of the economic system is imbalance.

J. A. Schumpeter (1935) showed that from the statistical viewpoint, the term “cycle” implies two aspects: on one hand, the fact that there is a succession of values of some economic variables during a given historical period, which don’t have a monotone development, and, on the other hand, the fact that the fluctuations don’t show independently but are directly or indirectly linked to each other. In other words, the economic cycle presupposes fluctuations of the synthetic indicators of the economy and, implicitly, alternating the prosperity periods (boom) with the ones of crisis (depression).

In the economic literature consideres most often the business cycles which have, as noticed by N. D. Kondratiev (1935), in a market economy a duration very often comprised between 7 and 12 years. Among the main reasons of the cyclic evolution of the economy we find: a) the period of fixed capital renewal; b) the gap between the solvent demand and potential supply of goods and services; c) variations of the interest rate; d) the characteristics of technological changes; g) the degree of openness of the national economies to the external flows of goods, services and production factors.

It is to note that in defining and analysing the business cycles the experience acquired by developed countries is mainly taken into account. Also, it is considered that the supply of factors changes only under the quantitative aspect and there are no changes of a structural-qualitative nature.

The amplitude of the fluctuations of the main economic indicators is conditioned not only by the previously mentioned factors, which can be regarded as of an objective nature, but also by the general state of the economic system, as well as by the coherence and the functionality of the institutional framework. Thus, three large types of states can be identified:

a) a transition state from one type of economic mechanism to another, where the relationships between the main macroeconomic variables can present considerable variations.
b) a state where the economic mechanism is relatively consolidated, which allows for a stable regime for allocating the main factors and efficiently using them. In fact, under these conditions, it is a stable regime of property, which in its turn determines an accumulation regime and subsequently a regime of increasing labour productivity.

c) a crisis state of the economic mechanism which causes distortions in resource allocation and bottlenecks in the dynamics of the productivity of various production factors. Under these conditions, an increasingly acute contradiction may occur between the “built” economic mechanism and the “actual” operational way of the aforementioned (T. Postolache, 1981).

The states of the economic system can be regarded also through some concepts used in the theory of thermo-dynamic systems (J. Prigogine, 1992). Thus, in the case of states in transition (change) of the economic systems, the existence of some dissipative structures can be detected where an increase of entropy is recorded for the whole economy, which is unequally distributed among various components. At the same time, the economic system is at “crossroads”, meaning that it ‘hesitates’ in choosing the development trajectory.

In the case of a consolidated and functional economic mechanism we deal with the existence of some ‘conservative structures’ that maintain the entropy at acceptable quotas for the evolution of the economic system in the foreseeable

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1 The notion of “regime” that can be applied to several aspects of the economic activity has a series of notable consequences for the vision regarding economic development. In fact, it is about an intermediary position between the neo-classical vision and the evolutionist vision. By using the notion of “regime” we underpin that due to the existence of some “technological eras” and of some specific methods of organising the production and labour in developing the process of economic growth for limited periods of time a certain stability of the relationships between the main macroeconomic variables can be obtained, which would bring the economic system closer to a state of balance. Thereafter, once the factors that triggered the respective balance state can no longer act, for various reasons, the shift to another regime of economy functioning takes place. According to the neo-classic conception, the hypothesis of the uniqueness of the individual behaviour is adopted, which is considered as being rational, irrespective of the concrete conditions. As a result, the conclusion is that on long-term a balanced economic growth can be obtained in the context of a constant growth rate of labour productivity, which would cause the reproduction with very few changes of the initial economic structure, but at an extended scale.

The evolutionary models are based on the assumption of continuing changes in the economy structure depending on the character and intensity of technological changes and/or of the environment (see R. Boyer, M. Juliard).
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future. Also, various components of the economic system are in an “almost balance” situation.

If the economic mechanism is in of acute crisis, a situation of “far off balance” occurs when it is necessary to initiate or adopt some measures that would trigger a radical change in the way of developing economic and social activities.

The business cycles can be reunited within a Kondratiev cycle by which the ascending and descending phases can be underpinned for the economic growth at international level. It is important to mention that, as a rule, during the ascending phase the reconstruction of the productive apparatus or of other elements of the economic mechanism takes place and the field is prepared for making some technological changes, whereas during the descending phase the valuing of the productive valences of the implemented technologies within the productive apparatus takes place and, implicitly, an increase of the productivity of the various production factors. As a result, it can be ascertained that during the ascending phase of the long cycle, the economic activity is developed mainly according to the “supply paradigm”. The corollary of the predominance of those paradigms is that during the ascending phase within a market economy a high rate of employment is obtained with more difficulty than during the descending phase.

The consecrated methods of determining the economic cycles presented above have both advantages and disadvantages. The main advantage is that factors triggering fluctuations of synthetic indicators of the economic activity can be highlighted and, implicitly, the economic balance is not automatically given on long term. Also, the importance of continuous concern for ensuring the adjustability of the institutional framework and of the productive apparatus to changes emerging in the volume and structure of final goods and services demand, as well as in the characteristics of the production factor supply.

Among the disadvantages it could be mentioned that, as a rule, in the case of the (short) business cycle the possible changes in the production factor supply

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1For supporting his theory on the fluctuations of the economic activity, N. D. Kondratiev identified three long cycles of economic development at international level for the period 1790-1920. Thus, the first cycle had the ascending period in the time interval 1790-1810-1817, and the descending phase in the interval 1810-1817 up to 1844-1851. The second Kondratiev cycle had the ascending period in the time interval 1870-1896. With respect to the third long economic cycle, Kondratiev considered that the ascending phase began in the time interval 1890-1896, and ended in the period 1914-1920.
are not taken into account from structural-qualitative perspective. Also, the possible effects of changes made within the institutional framework or in changing the macroeconomic structure are ignored.

In the case of the long economic cycle only the international evolution trends are outlined which are, but without emphasising the fact that national economies can be differently related to the respective trends depending on the attained development level and the change processes of the institutional framework that they undergo or the strengthening of the latter.

Under these circumstances, for highlighting the phases and cycles of Romania’s economic evolution on long term (1860-2010), as well as the features thereof in relation with the trends at European and international levels, the following concepts shall be taken into account:

a) The decennial economic cycle: this cycle is close from the conceptual viewpoint to the business cycle by the fact that it adopts the hypothesis of a decennial period when an expansion of the economic activity takes place, disrupted by the occurrence of a recession or by inflexions of the economic growth rate, changes in the institutional framework or the action of demographic factors.

Therefore, for characterising each decennial economic cycle, as indicators of the annual average economic growth rate, the average annual population growth rate, and the annual average growth rate of GDP per capita can be taken into account.

b) The general state of the economy and the coherence and functionality of the economic mechanism during the analysed period of time: thus, transformational processes developed by internal rules and reasoning different from the ones that determined the decennial economic cycles. Actually, all economic transitions in Romania lasted more than one decennial cycle and marked the economic growth rate and the demographic processes and phenomena with a series of specific characteristics. Also, it shouldn’t be ignored that both market economy, and command economy had more evolution phases that did not fully overlap the decennial economic cycles, but underwent all three previously mentioned types of states.

c) The bi-decennial economic cycle, which is inspired by the definition of the Kondratiev cycle and aims at testing the usefulness of grouping every two decennial economic cycles. The respective procedure allows for better highlighting the phenomena that can be manifest for a longer period of time than the one of decennial cycles, such as the change of the macroeconomic structure.
On the other hand, the bi-decennial economic cycle is close to the duration of 25 years which is regarded as the period separating two successive generations (T. Postolache, 2007). Thus, not only the effects of technological progress on the economic dynamics can be underpinned, but also the ones of changing demographic behaviour or the action of factors related to labour force supply, and the one of training and valuing human capital.

The approach is in accordance with the practice of the specialised institutions within the UN, which, as a rule, every two decades suggest and subsequently implement major revisions of the concepts and methodology of statistical analysis. Also, it should not be ignored that by taking into account a longer period of time, it is possible to use some econometric-type methods.

2. Decennial economic cycles in Romania in the 1859-2010 period

During the period from 1859 to 2010, the existence of decennial cycles can be highlighted for the evolution of Romania’s economy, starting with the analysis of the fluctuations within the economic activity, the demographic behaviour and changes of the institutional framework.

Thus, after achieving the Union of the Principalities in January 1859, the period of the reign of A. I. Cuza (1859-1866) can be regarded as a first quasi-decennial cycle for the development of the Romanian economy. In that time interval a series of reforms were made in all economic and social fields (real estate ownership, organising the education at all levels, organising the health and sanitary system, etc.) which ensured the strengthening of the newly emerged State on the European map, concomitantly with creating opportunities for subsequently obtaining the State independence and the remarkable economic dynamics in late 19th century. The reforms did not lead on short term to a notable expansion of the economic activity. The data presented by V. Axenciuc (2012) reveal that between 1862 and 1866 the gross domestic product diminished at an annual average rate of -3.20%, while the population increased at an annual average rate of 0.60%.

Between 1867 and 1876 the second decennial cycle of Romania’s economic evolution took place when a series of institutions specific to pre-industrial market economy are strengthened, among which we could mention the implementation of the national currency and the consolidation of the monetary system, the expansion of activities related to processing of some raw materials, as well as the increase in importance of the state budget for financing economic activity and
social modernisation. At the same time, the first railway lines were built. The estimates of the GDP dynamics per capita reveal an average annual rate of 3.85% in the context of an increase in the population numbers at an annual rate of 0.77%.

The economic cycle between 1876 and 1887 is marked at the political level by the government of the Liberal Party, which was the longest uninterrupted ruling period of a party in the period between 1859 and 1914. At the same time, during this time interval the Independence of the state was also attained and strengthened at international level (the 1877-1878 war, and the Congress of Berlin), while during the same period the economic activity was strongly influenced by the free-exchange agreement concluded for economic but also political reasons with the Austrian-Hungarian Empire. The Treaty generated both benefits and costs with respect to the development of the economic activity in the linking of Romania to the evolution trends at European level. In relation to the previous decade, moderation is noticed for the annual average growth rate for GDP and GDP per capita, the estimates based on the data provided by V. Axenciuc (2012) revealing values of 3.44% and, respectively, 2.01%.

The 1888-1897 decade can be characterised from the economic viewpoint as one when the enforcement of a protectionist legislation, after denouncing the Free Exchange Treaty with Austria-Hungary in 1887, contributed to stimulating the development of activities of enterprises in the industrial and commercial fields. In agriculture, a production model was consolidated in which the large land estates are predominant and the phenomenon of tenancy became more marked, which caused social tensions in the rural area. At the same time, the development of financial-banking activities continued. During this decennial cycle there was, practically, a trend of stagnation of GDP per capita (the average annual rate being of 0.14%), while the population increased on average by 1.15% per year.

The period between 1898 and 1907 was the decennial cycle with the most rapid economic growth registered by Romania before the First World War. The annual average growth rate of the GDP is estimated at 5.33%, and the one of GDP per capita at 4.03%. During the respective time interval, after solving some budgetary difficulties in the first years (1898-1900), as well as passing some bills that reformed and improved on long-term the functioning of some essential public services, such as the education and public health system, a development of the economy took place but without eliminating a series of major social imbalances. Evidence of this fact is the peasants’ uprising in the spring of 1907, which was a warning that the agricultural issues was far from being solved
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in accordance with the demands for developing market economy institutions and social modernisation in accordance with the trends at European level.

The next decennial cycle covers the 1908-1914-1918 period. Also in this time interval there was a trend of economic progress, concomitantly with more marked concerns about reform at social level, especially in the field of public health care and education for solving especially the severe imbalances triggered by the existence in agriculture of large agricultural properties and of production relations in which the tenancy had a disproportionately important role. Another factor that influenced the development of the Romanian economy and society in the last part of this period was the increased international political tension, which led to the outbreak of the World War I. In the period, the average growth rate of GDP per capita was smaller than the one recorded in the previous decennial economic cycle (1.37%).

On the other hand, it is important to notice that the average annual growth rate in the number of inhabitants (2.18%) was the fastest in the 1860-1914 period, signalling Romania’s entry into the demographic pre-transition phase revealed by the maintenance of some high birth rates and even a slight increase, while a process of diminishing mortality rates started.

Between 1919 and 1928 we find the first decennial cycle between the two World Wars. For Romania, that period of time was characterised by the efforts made to accomplishing national unity, realised by plebiscitary meetings during the year 1918 and acknowledged at international level based on the Peace Treaties concluded in the years 1919 and 1920. Thus, a series of laws were adopted to ensure the administrative union together with the merger of essential social services. At the same time, the agricultural reform was finalised in the year 1921, which had a particular positive influence on rendering the social life more dynamic. Under these conditions, the evolution of the economy was characterised by a remarkable dynamics supported in particular by the development of industry and agriculture, in the context of expanding the internal market and promoting a protectionist policy with respect to developing external economic relations. That period can also be regarded as a succession of two semi-decennial cycles: a) the period of economic recovery after the losses during the World War I (V. Axenciuc, 2012); and b) the period of economic growth in the context of an expanded internal market and of strengthening the mechanisms specific to the market economy. On the whole, over the time 1920-1928 interval, the Gross Domestic Product increased at an average annual rate of 5.66%, and GDP per capita increased at an average annual rate of 4.18%.
The second decennial cycle between the two World Wars, from 1929 to 1938, is characterised by a contradictory development both at economic and political levels. Thus, between 1929 and 1933, because of the severe world economic crisis, in our country also a series of negative evolutions at economic level took place, which influenced also the political life, marked by political instability. Even though the economic conditions were not the most favourable ones, in that time interval a series of laws were adopted to improve sensibly the functioning of the educational and health care system. Between 1934 and 1938, a strong economic recovery was generated by multiple factors, both of internal nature, but also of an external one, which allowed for sensible progresses in most of the social or cultural life, resulting in increased life expectancy, or wider access to the educational system for the entire population. One should note that, on the whole, in the 1929-1938 period the GDP per capita increased at an annual average rate of 0.83%, under the conditions of a population increase at an average annual rate of 1.28%.

The period between 1939 and 1948 is deeply marked by the World II War and the turbulences in the immediate post-war years. In Romania’s concrete case, the first post-war years meant not only a period of reconstruction following the armed conflict of gigantic proportions, which caused heavy human and material losses, but also a transition to a command economy. Under these conditions, not only the main economic indicators had a contradictory evolution, but also all the fields of social activity. Related to today’s territorial dimension of Romania, GDP diminished at an average annual rate of -3.93%, and GDP per capita decreased at an annual average rate of -4.11%.

The period 1949-1955 is characterised mainly by the hardest phases of the command economy. In this context, measures were taken for blocking and private enterprise in the economic and social field. Also, a policy of forced industrialisation was promoted, along with infrastructure expansion, irrespective of the profitability and usefulness of some projects.

The accumulation rate, in relation to the national income was apparently a moderate one (about 25%), but under the conditions of a system of prices which ostensibly was advantageous for the industry which was practically entirely state-owned, and disadvantageous to agriculture, a branch in which private ownership was preponderant. The efforts made to support the industrialisation policy and promote a social policy oriented especially towards wage employees were, in reality, more intense than revealed by statistical data. Under these conditions the annual average growth rate of the GDP was about 15%, but the annual
dynamics had a high degree of instability. The explanation for a rapid rate of economic growth must be searched both in the contingent reasons, but also in the reasons related to the radical change in the way of developing economic activity. On one hand, we deal with the phenomenon of recovering the losses caused to the economic activity during the years of war. On the other hand, it is one of the consequences of applying the forced industrialisation model which led to a rapid expansion in the volume of economic activity.

The annual average growth rate of population was 1.24% in the context of an increased birth rate as compared to the 1940s. The reason of the respective demographic behaviour depended, on one hand, on the emergence of the phenomenon of recovering the number of new-born children whose birth was postponed by the war and the uncertainties of the first post-war years. The aforementioned phenomenon was manifest in all states of Europe and North America involved in the World War II.

The 1956-1966 period was characterised mainly by a reorientation of the economic policy towards stimulating consumption and, implicitly, diminishing the accumulation rate which reached the annual average level of 17.1% between 1956 and 1960 and 25.6% between 1961 and 1965. Under these conditions, the annual average growth rate of GDP moderated to 6.24%. The change in the ratio of accumulation to consumption was determined both by internal and external social political factors. Mainly, it is about the display of some major crises of the “classic” model of command economy in some Central and Eastern European countries and about the attempts to solve them by implementing partial reforms in the context of ideological competition with western countries.

Also, we should not ignore that during the mentioned period agriculture collectivisation was finalised, which triggered as of the year 1960 a continuous decrease in the number of population employed in agriculture and increased mobility of the working-age population from the rural area to the urban centres.

In the context of the stimulation of population consumption and the emergence of some problems in the social life, especially in the urban area, one of the main symptoms being the housing crisis, a series of legislative measures were taken, which determined significant changes in the demographic behaviour. Thus, by the end of the year 1957, the possibility of abortions under the least restrictive conditions of the time in Europe was adopted. As a result, the annual average growth rate of the population diminished to less than 1%.
In the 1967-1977 interval the characteristics of the demographic policy and of the economic policy are very different as compared to the period 1956-1966. Because of continuous diminution of the birth rate and, implicitly, of the fertility rate below the generation replacement level, some of the sanitary legislation was changed which, practically, made abortions impossible for women who had given birth to less than 4 children. Under these conditions, the annual average growth rate in the number of inhabitants was 1.1%.

At the macroeconomic level, a growth policy was promoted with respect to the accumulation rate which reached an average level of 29.5% in the 1966-1970 interval and over 33% in the 1971-1977 interval. Under these conditions, an acceleration was obtained with respect to economic growth, the annual average growth rate of GDP being 7.80% in the context of accelerated processes of territorial mobility of the rural population to the urban area. Thus, as shown by the data of the Population Censuses, in the 1966-1977 interval the most intense population transfer from the rural area to the urban area took place in the entire history of the command economy in Romania.

The 1978-1989 period is characterised by some major bottlenecks in the functioning of the economic mechanism and subsequently by into crisis of the command economy. In this context, the average annual growth rate of GDP was 1.93%, considerably lower as compared to the previous decade. The increasingly persistent economic difficulties had social and demographic effects. Thus, the transfer of the rural population towards economic and social activities in the rural area was considerably diminished, and the average annual growth rate of the total number of inhabitants slowed down as compared to the previous decade, i.e. 0.3%.

The 1990-1999 period represented the time interval when the most important and difficult part of the second transition to the market economy was achieved. Due to some specific conditions of the changing process of institutions and of the economic structure, two recessions took place between 1990 and 1992 and between 1997 and 1999. In 1993 and 1996, the gross domestic product increased considerably which allowed for partly recovering the diminution taking place between 1990 and 1992.

As a result of the recession – economic recovery – recession succession the dynamics of the gross domestic product saw a marked instability during the nineties. In 1989, the indicator was 75.0% in the year 1992, 88.2% in the year 1996 and 77.9% in the year 1999.
The negative developments in the economy triggered a diminution in the living standard of the population and had a strong impact on the demographic evolution and, mainly, a sensible diminution in the total fertility rate. The evolution of the indicator reveals a second demographic transition in Romania, i.e. a decrease in the total fertility rate below the generation replacement level irrespective of the evolution of the state of the economy, along with an increasing trend in the mortality rate, especially because of population ageing. Under these conditions, the population number diminished at an annual average rate of -0.30%.

The 1999-2010 period was characterised by a 3.94% growth rate of the gross domestic product. Yet, the increase was unequally distributed in time and was obtained under the conditions of different macroeconomic policies. The deficit of the external trade balance had an increasing trend. Thus, between 2000 and 2004, the expansion of GDP took place in the context of the accession to the European Union and the achievement of some objectives related to the statute of a “functional market economy”, which practically would signify the conclusion of the transition period towards a post-industrial market economy. One should note that due to a prudential financial policy, the deficit of the consolidated budget of the state was maintained within acceptable limits.

Between 2005 and 2008 the growth rate of GDP increased, the main reason being the swift increase in private consumption along with implementing the flat tax on incomes. As a result, the deficit of the trade balance increased constantly and represented more than 13% of the GDP in the year 2008. The emergence of the international economic crisis in the year 2007-2008 caused the blocking of the GDP expansion model mainly based on private consumption and increasing imports, and generated the recession in the 2009-2010 period.

One should note that the evolution of the economy in the period 1999-2010 in the context of the demographic phenomena continued from the preceding decade meant a diminution in the number of inhabitants at an annual average rate of -0.44%.

Resuming the economic growth in the period 2011-2012 shows Romania’s entry into a new decennial economic cycle, which we estimate to last until around 2020. For this period we anticipate new adjustments of the productive apparatus and of the institutional framework of the economy, in agreement with the logic of the in-depth process of European integration. At the same time, measures are foreseen for the implementation of the objectives assumed within the Europe 2020 Strategy.
3. The state of the economic system, characteristics of the institutional framework and periodisation of the economic history of Romania

During the 1859-2010 period, Romania’s economy just like the ones in other Central and Eastern European countries underwent several transition processes from one economic system to another, i.e. strengthening of some economic systems and their entry into crisis as a result of some internal or external factors. The fact that for 150 years there were three transitions from one economic system to another generated objectively the existence of some dissipative structures that were an important source of tension within the economic body and, implicitly more or less forced evolution of the economic and social activity. In other words, the completion of these reforms either in favour of the supremacy of competitive mechanisms, or against them, was one of the major coordinates of concern for the political decision-makers from Romania during various stages of economic and social development.

The transformational processes had specific characteristics and developed along periods of time that differentiated a lot depending on the pursued objectives, the existence of reform programs and influence of external factors. Also, the processes developed during several decennial cycles. As a consequence, if a periodisation of the economic history of Romania is intended, depending on the characteristics of the institutional framework and on the state of the economy as a whole, it is necessary to being with regrouping decennial cycles and/or their segmentation.

Thus, the first transition to the market economy took place not only in Romania but also in countries that currently are defining themselves as “consolidated market economies”, and as “emergent economies”. In these cases we speak about the transition from a feudal-type economy to a market economy from the institutional viewpoint, and from a pre-industrial economy to an agrarian-industrial economy from the viewpoint of the structure by branches.

In Romania, the transition to the market economy was a long process over several stages. Thus, a pre-transition to the market economy can be mentioned, the beginning of which may be found in the consequences of enforcing some of the provisions of the Treaty of Adrianople (1829), i.e. implementation of the Organic Regulation (Réglement Organique) in Wallachia and Moldova at the beginning of the 1830s.

The first transition to the market economy begins, actually, by enforcing the reform measures taken during the first years after the Unification of Wallachia
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and Moldova (1859) and the building up of Romania as a state. The implementation and development of the specific institutions for a market economy continued during the second half of the nineteenth century, stimulated by the Independence of State (1877) and by other acts of internal economic policy or by the external openings with the purpose of accelerating the economic development process and social modernisation. Under these conditions, we may say that by the beginning of the 1898-1907 economic decennial cycle Romania had, practically, all institutions defining the market economy of that time. From the viewpoint of the demographic behaviour it can be noticed that during the first transition to the market economy the shift was made from a Malthusian population regime to the state of demographic pre-transition, a process that bore some similitude to the transition to the market economy in England, about two centuries earlier.

Yet, the great structural issue of Romania at the beginning of the 20th century was the nature of the relationships in agriculture, where the large real estate tended to preserve some production relations with remains of a proto-capitalist nature. Therefore, we appreciate that at the beginning of the 20th century the first transition to the market economy was not finalised. In fact, the process of changing the nature of ownership within the main branch of the Romanian economy in the sense of democratisation and extension of the role of competition mechanisms was finalised by the agrarian reform law in the year 1921.

As a conclusion, the first transition to the market economy was, in Romania, a long process that lasted for about 90 years, if we consider the pre-transition phase, as well. If we consider only the actual transformation process, closely related to the idea of national emancipation and social modernisation, the duration of the first transition to the market economy accounted for 70 years. Under these conditions, the decennial economic cycles previously identified for the period 1859-1914 can be considered also as phases of the first transition to the market economy.

The period between the two World Wars (1919-1938) can be considered as one when the specific institutional framework to a market economy tended to strengthen, which contributed to the creation of the conditions for diminishing lags with developed countries and to a synchronous evolution with the trends shown at European level. It should be noted that, in the context of strengthening the market economy institutions, during the analysed time interval, the progress in the economic field can be considered remarkable in relation to the preceding phases of Romania’s economy evolution.
Between 1939 and 1948 a bottleneck and even an annihilation of the market economy institutions were caused especially by external factors, i.e. the outbreak and development of the World War II, as well as by the social-political changes in the first post-war years.

The transition to the command economy, and subsequently the strengthening and crisis of the economic system rises a series of problems related to the periodisation of the respective chapter of the economic history of Romania. The difficulties derive from the fact that the evolution of the institutional framework and the general state of the economy did not coincide for various reasons with the decennial economic cycles. In fact, if we adopt as an analysis criterion the general state of the economy in the period 1948-1989 and/or is envisaged to highlight the transition periods of the institutional framework and to reveal more rigorously the way of functioning of the command economy in Romania, then the following periodisation can be used:

A) 1948-1962. The complete transition from the private ownership economy based on the production means to the state economy, based on centralised planning. The two milestones in time of the above-mentioned transition are: nationalisation of the main production means enforced on 11 June 1948 and the completion of the collectivisation of agriculture in the spring of the year 1962. During that time interval, in the context of hindering and blocking private initiative in developing economic and social activity a policy oriented mainly towards realising the basic industrial structures was promoted. Owing to a relative abundance of material and human resources, but also because of the low level of main economic indicators from which it was started on imposing the command economy, the GDP growth rate by statistics was 9.78%, and the GDP per capita 8.60%.

It is important to emphasise that in developing the transition to the command economy several phases can be identified: a) 1949-1955, the main characteristics of which have been previously presented; b) 1956-1959, when a policy for stimulating consumption was promoted, on one hand, and the collectivisation of agriculture was intensified, on the other hand. In fact, it can be appreciated that in 1959 the state sector turns dominant in agriculture, and the private initiative was placed in a marginal position; c) 1960-1962, when, in the last stage of agriculture collectivisation, there was an ample process of territorial mobility, from rural to urban areas, and a speeding-up of industrial development.

B) 1963-1976. The ascending stage of the command economy: In the context of of strengthening the specific institutional framework a high economic growth
rate could be ensured and a series of positive developments took place at social
level, rendered concrete by increasing professional mobility, increasing the
urbanization degree, and increasing life expectancy.

It should be noted that the year 1976 marks the inflexion point in the evolution
of the command economy in Romania. Firstly, as of the respective year the GDP
growth rate diminished against the previous year even though the respective
indicator was still maintained at high quotas as compared to the evolutions at
international level. Although in the subsequent years at the aggregate level the
volume of economic activity continued to increase, the development trajectory was
concave and not “convex”, as in the previous years. Also, after 1976 there was
registered continuing decrease, up to completely removing the methods of
command economy, for the productivity of the fixed capital.

The development of Romania’s economy was framed in the pattern revealed by
a series of studies elaborated within specialized bodies of the UN and the World
Bank, according to which in the period 1950-1975 the growth rate of the
countries with command economy was swifter than that of countries with
consolidated market economy. In this context, A. Tsantis and R. Pepper (1979)
remarked that in the period 1950-1975 Romania could be ranked among the
countries with the swiftest economic growth rates.

C) 1977-1989, the descending and, thereafter, crisis stage of the command
economy. During this time interval, the economic growth rate is significantly
diminished, as a result of failing to make an in-depth restructuring of the
productive apparatus demanded by the considerable change in the external
economic environment. Among the factors generating the emergence of
bottlenecks and subsequently of the crisis of the command economy in Romania
we find also the increasingly marked trend to semi-autarchy when the internal
constraints increased because of the slow growth rate of efficiency in using
production factors, but also by external reasons generated by the limited access
to raw materials on which for a good period of time the expansion of industrial
activities was based. The previously mentioned development stimulated the
demand for investment goods and other production factors much above the
adjustment capacity of the national supply. Under these conditions, the
complexity and the capital-intensity degree of the economic structure increased
considerably. But, this phenomenon exacerbated the tensions within the
productive apparatus. The respective situation reflects the fact that an economic
mechanism with a high degree of rigidity tends to reproduce on long-term the old
technological structure, even if the level of efficiency in using production factors
The second transition to the market economy, which started in 1990, was a process of re-implementing the competition mechanisms both in Romania and in the Central and Eastern European countries, which for approximately four decades had experienced the command economy. The “exit through explosion” from the rigid framework of the command economy posed severe problems to economic growth. Under these conditions, the economy of Romania, just like other Central and Eastern-European countries faced transformational recession.

The process of changing the economy, meaning abandoning the command economy methods and implementing competition mechanisms, proved to be a much more difficult process than initially anticipated. To the inherent difficulties of changing the institutional framework, were add those related to reforming some economic structures with a very high degree of complexity, generated by the high weight of branches producing investment goods that determine strong effects and the emergence of mono-industrial areas. Consequently, the blocking of final demand for the respective category of goods generated strong negative effects both at economic level, consisting in the diminution in the level for some synthetic indicators, such as GDP, and at social level reflected in the emergence and maintenance of unemployment, segmentation of the labour market, or the high incidence of poverty in some territorial areas or sectors of the society.

It can be appreciated that the duration of the second transition to the market economy extends beyond the limits of the 20th century. The indices of completing the respective process are the granting by the European Commission of the qualification of “functional market economy” to Romania in 2004 and reaching during the same year the GDP level of 1989, the last year of the command economy. It is important to underpin that during the second transition to market economy also an intense process of structural readjustment took place when the weight of industry in GDP creation and labour force employment diminished significantly and the relative importance of the services sector increased. In other words, the respective transformational process accelerated the advance towards an “economy of services”.

While adopting as a criterion for the periodisation of the economic history the characteristics of the institutional framework it can be appreciated that for Romania the 2005-2020 period represents a new cycle of economic development. The respective time interval is one when a series of processes are developed to fulfill all criteria imposed by the accession to the European Union and which, at least from the theoretical viewpoint, should lead to achieving real and nominal convergence in the majority of member countries.
4. Brief characterisation of the bi-decennial cycles of Romania’s economy

In our opinion, the identification of bi-decennial cycles in the 1859-1938 period do not raise any particular problem. In the context of the first transition to the market economy (1859-1914) and of the period between the two World Wars (1919-1938) the following bi-decennial cycles can be identified:

a) The period 1859-1876 when by means of some reforms the development of the first transition to the market economy was initiated and thereafter supported. In this time interval the growth rate of the GDP can be estimated at 2.34%, and the one of GDP per capita at 1.61%.

b) The period 1877-1897 is characterised by continuing the adoption and development of some institutions of the market economy. The development of the economy was triggered by the Independence of the State, by intensified external economic exchanges, and by passing laws that stimulated the domestic private initiative. As a result, the average annual growth rate GDP was of 2.41%, and the one of GDP per capita was 1.13%.

c) The period 1898-1914, when, as compared to the most developed countries of the time, the vast majority of the market economy institutions were implemented in Romania. The issue of the agricultural relations was not yet solved, in agreement with the trends shown at European and international level. In that time interval, the growth rate of the GDP was 2.75%, and the one of GDP per capita was 0.99%.

The period between the two World Wars (1919-1938) is a stage of strengthening the market economy institutions, but also as one when a series of notable achievements with respect to building up the basic industrial structures were obtained. In relation to the previous bi-decennial cycle, there is an acceleration of the economic development from the quantitative viewpoint, the annual average rate of GDP being 3.68%, and the one of GDP per capita 2.23%.

Determining a bi-decennial cycle corresponding to the 1940s and 1950s raises a series of problems concerning the extremely distorted development of the Romanian economy in the respective period. The World War II and the command economy caused huge distortions of the Romanian economy and contradictory processes and phenomena.

In order to solve some issues related to the methodological coherence in the periodisation of the economic history within bi-decennial cycles we believe that an economic cycle comprised between 1939 and 1959 can be taken into
account, which should incorporate the evolution during the Second World War and the most important parts of the transition to the command economy. The statistical data referring to the current territory of Romania reveal that during the respective economic cycle, GDP increased at an annual average rate of 3.34%, and GDP per capita at an annual average rate of 2.59%.

Also in the subsequent bi-decennial cycle there were problems related to its duration, because from the institutional and functional viewpoint, Romania’s economy underwent in the sixties and seventies several phases of evolution. Considering the processes and phenomena that succeeded during the previously mentioned time interval, we consider that a bi-decennial economic cycle can be identified between 1959 and 1979. This is about a period characterized by a strong professional and territorial mobility in the context of developing the most important basic industrial structures in Romania. Under the conditions of a continuous transfer of rural population to localities in the urban area, but also of some favourable international conditions, the annual average growth rate of GDP was 7.95%, and the one of GDP per capita 6.92%.

The second oil-shock (1979) had particularly strong negative implications for Romania’s economy and significantly contributed in the crisis of the command economy. Also, that event determined Romania’s entry into a new bi-decennial cycle, that can be appreciated to have lasted up to 1999 when most of the objectives of the second transition to the market economy were achieved. In other words, a bi-decennial cycle can be defined between 1980 and 1999. During the respective period of time there was a trend of diminishing the economic potential, the annual average growth rate of GDP being -0.76%, and the one of GDP per capita -0.87%.

As of the year 2000, the last phases of the second transition to the market economy were accompanied by the European Union accession and integration. Therefore, we think that currently we can consider a bi-decennial economic cycle between 2000 and 2020, resulting from merging the 2000-2008 and 2009-2020 decennial cycles previously described.

5. Conclusions
Identifying and reviewing the characteristics of various types of economic cycles reveal the sinuosity of the economic development process of Romania during a period of 150 years (1859-2010). At the same time, the role of the institutional factor is underpinned in modelling economic growth. It is noticed, hence, that when a stability trend of the institutional framework was outlined or some
concrete changes was made, an acceleration of the economic growth rate was recorded, as well. The sudden changes of the institutional framework as well as unfavourable external conditions have acted as factors hindering the economic dynamics.

In evaluating the dynamics of the Romanian economy it is important to consider also the changes in the structure on branches. Thus, it can be noticed that in the context of building basic industrial structures an acceleration of the economic growth rate took place. The transition to a services economy, concomitantly with re-implementing competition mechanisms triggered a certain instability of the economic dynamics.
### Annex 1 - Estimates of the growth rates of GDP per capita in Romania within the decennial economic cycles

<table>
<thead>
<tr>
<th>Period</th>
<th>GDP</th>
<th>Population</th>
<th>GDP/capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>1862-1866</td>
<td>-3.20</td>
<td>0.60</td>
<td>-3.78</td>
</tr>
<tr>
<td>1866-1876</td>
<td>4.65</td>
<td>0.77</td>
<td>3.85</td>
</tr>
<tr>
<td>1876-1887</td>
<td>3.44</td>
<td>1.40</td>
<td>2.01</td>
</tr>
<tr>
<td>1887-1897</td>
<td>1.29</td>
<td>1.15</td>
<td>0.14</td>
</tr>
<tr>
<td>1897-1907</td>
<td>5.53</td>
<td>1.44</td>
<td>4.03</td>
</tr>
<tr>
<td>1907-1914</td>
<td>3.58</td>
<td>2.18</td>
<td>1.37</td>
</tr>
<tr>
<td>1920-1928</td>
<td>5.66</td>
<td>1.42</td>
<td>4.18</td>
</tr>
<tr>
<td>1928-1938</td>
<td>2.12</td>
<td>1.28</td>
<td>0.83</td>
</tr>
<tr>
<td>1938-1948</td>
<td>-3.93</td>
<td>0.18</td>
<td>-4.11</td>
</tr>
<tr>
<td>1948-1955</td>
<td>15.44</td>
<td>1.12</td>
<td>14.17</td>
</tr>
<tr>
<td>1955-1966</td>
<td>6.24</td>
<td>0.91</td>
<td>5.28</td>
</tr>
<tr>
<td>1966-1977</td>
<td>7.80</td>
<td>1.13</td>
<td>6.60</td>
</tr>
<tr>
<td>1977-1989</td>
<td>1.93</td>
<td>0.56</td>
<td>1.36</td>
</tr>
<tr>
<td>1989-1999</td>
<td>-2.49</td>
<td>-0.30</td>
<td>-2.20</td>
</tr>
<tr>
<td>1999-2010</td>
<td>3.94</td>
<td>-0.44</td>
<td>4.40</td>
</tr>
</tbody>
</table>

N.B. For the period 1938-1948 the annual average growth rate of the gross domestic product and of the population was calculated considering the current territory of Romania.

Source: V.Axenciuc (2012) and Statistical Yearbook of Romania.

### Annex 2 - Estimates of the growth rate of GDP per capita during the phases of the command economy evolution (1948-1989)

<table>
<thead>
<tr>
<th>Period</th>
<th>GDP</th>
<th>Population</th>
<th>GDP/capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-1962</td>
<td>9.78</td>
<td>1.08</td>
<td>8.60</td>
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<tr>
<td>1962-1976</td>
<td>8.44</td>
<td>0.99</td>
<td>7.38</td>
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<tr>
<td>1976-1989</td>
<td>2.24</td>
<td>0.59</td>
<td>1.64</td>
</tr>
</tbody>
</table>

Source: V.Axenciuc (2012) and Statistical Yearbook of Romania.
### Annex 3 - Estimates of the growth rate of GDP per capita in Romania during the bi-decennial economic cycles in the period 1862-1999

<table>
<thead>
<tr>
<th>Period</th>
<th>GDP</th>
<th>Population</th>
<th>GDP/capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>1862-1876</td>
<td>2.34</td>
<td>0.72</td>
<td>1.61</td>
</tr>
<tr>
<td>1876-1897</td>
<td>2.41</td>
<td>1.27</td>
<td>1.13</td>
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<tr>
<td>1897-1914</td>
<td>2.75</td>
<td>1.74</td>
<td>0.99</td>
</tr>
<tr>
<td>1920-1938</td>
<td>3.68</td>
<td>1.42</td>
<td>2.23</td>
</tr>
<tr>
<td>1938-1959</td>
<td>3.34</td>
<td>0.74</td>
<td>2.59</td>
</tr>
<tr>
<td>1959-1979</td>
<td>7.95</td>
<td>0.96</td>
<td>6.92</td>
</tr>
<tr>
<td>1979-1999</td>
<td>-0.76</td>
<td>0.11</td>
<td>-0.87</td>
</tr>
</tbody>
</table>

Source: V. Axenciuc (2012) and Statistical Yearbook of Romania.

### References


