

CREDIBILITY AND PUBLIC RESPONSIBILITY IN REDUCING REGIONAL DISPARITIES

The discussion about the issue of *regional disparities* implies the discussion about the complex relations between economy and the state, more precisely, between politics, economy and society. Why have we chosen to discuss this from the point of view of *credibility* and *responsibility*? Our choice is justified by the fact that the question of state intervention in economic growth and development is at present a subject for debate, both from the perspective of sustainability and from that of the extension of the economic integration processes. The present paper firstly brings into discussion the basic elements of the economic doctrine pertaining to this debate and, secondly, analyses the issue of credible and responsible public intervention in our country, within the framework of the National Development Plan 2004-2006.

1. Doctrinal approaches

Traditionally, the choice in favour of or against state intervention in economy has at its root the arguments of the liberal or of the interventionist doctrine.

The economy which is dominant at present lies on the ground of *liberal philosophy*, according to which the market system is the best way to satisfy the interests of all parties involved, while state intervention in development and growth is considered to be at least futile if not prejudicial altogether in various respects.

- the interest in social equity and the state's wish to produce certain goods and to provide certain services has led to instances of failure in the system; these failures are connected with its incapacity of satisfying the customers' requirements and causes undesirable side

effects; even when positive externalities exist, it is impossible to quantify them, while the decisions of the administrative body can be only arbitrary;

- subventions or other facilities granted by the public authority to certain firms lead to overloading general taxation; this, in its turn, has undesirable effects for future growth; in addition to that, subventions can be granted preferentially due to disloyal behaviour of the politicians, which considerably impairs on the credibility of public interventions [4, p.367];
- the state is not bound to ensure compensation in case of pollution, the more so as pollution means encroaching upon private lien; if compensation is possible, then appropriate legislation and complying with the right to property can replace state intervention in this respect; in addition, any global approach of environmental or sustainable development issues causes a reaction of the partisans of traditional liberalism, since measures in case of compensation can only be regarded as abusive and collectivist; while the liberal solution implies restricting measures in order to diffuse responsibility and decisions to the individual and small community level, such individuals or small communities as are faced with the task of identifying, evaluating and opposing pollution [5, pp.97-98].

According to the liberal approach, the responsibility of managing resources falls on the owner alone, since only private property sets clear landmarks concerning the persons who have access to these resources, the level of exploitation, the advantages and costs resulting from exploiting them. Therefore, the market system solution within the framework of regional development involves clear and flexible legislation concerning lien, pollution and environmental issues, privatisation in terms of environmental competition, according to the principle "the polluter pays". The partisans of moderate liberalism agree to state intervention under these circumstances in the form of state subventions for the import of non-polluting technologies, tax exemption or other concessions granted to private enterprises with a view to creating a non-polluting competitive environment, as well as a balance between the individual and the collective optimism.

The interventionist standpoint is rooted in the contrary idea, according to which the free market cannot spontaneously lead to a balance between the social, the economic and the ethical domains. Private property and the free intervention of the market mechanisms do not bring a solution to the serious problems of underdevelopment, poverty, pollution, abusive exploitation of

certain resources, social exclusion. The very concepts of *regional development* or *sustainable development* involve state intervention in various ways with an aim at securing social consensus. Social progress, which is the goal of any human community, cannot be secured in the absence of social equity, without non-discriminative access to health assistance and education and a permanent interest in environmental issues. Within this frame, the role of the state can be more or less important, depending on the doctrinal orientation of the theoreticians. The measures suggested are related, on the one hand, to public property, regarded as positive externalities and, therefore, considered to be the state's responsibility, and, on the other, to the state's implication in economic growth, in the process of redistribution of national wealth, in institutional reforms, in the creation of the infrastructure, in promoting the principles of environmental development etc.

Beyond any ideological option, we consider that the welfare of civil society, life in decent conditions, the respect for human dignity, the care for our legacy to the future generations are all decisions of greater importance than the mere choice between the market and the planned economy; we consider that they are moral aims, goals to be attained rather than ideological dangers. The liberals are absorbed by means rather than by goals, so they appear to regard the democratic institutions and the market economy as more important than man's welfare [2, p.84]; on the other hand, while lying stress on results in the form of collective consume, the supporters of economic state monitoring impair on the citizen's freedom. For this very reason, as the goal of any public decision is an improvement in life quality, we may say, at the risk of being reiterative, that the partnership between the public authority and the private sector is the actual solution for social consensus, even if this implies the reevaluation of the local autonomy of the public institutions.

2. Economic policy in Romania faced with the challenges of regional development

Romania's experience in the process of transition towards the market economy emphasises the fact that the forces of the market show a tendency towards uneven distribution of economic growth and employment opportunities. The result of this uneven distribution was massive migration

of active population and of capital towards Bucharest; economic growth tends to be concentrated in this area - i.e. Bucharest. At a regional level, the impact of state company restructuring presents itself as a major problem, as there is again a tendency to its concentration in certain areas due to the presence of monoindustrial cities; this circumstance has contributed to the increase of poverty and the creation of regional disparities. The financial system is insufficiently developed and therefore incapable of supporting the financing of major investment projects; moreover, companies are not willing to observe financial discipline. Lien is not fully protected, especially lien in landed property, while monitoring institutions are not able to ensure the enforcement of the legislation and the respect of the law. These economic circumstances are associated with others, such as geographical, historic, cultural; they all contribute in an extensive way to the appearance of disparities in economic growth and obstruct spontaneous economic growth. In addition to all the above mentioned factors, generalised corruption in public administration as well as a negative perception of political instability, a negative collective identity and the intrinsic Romanian pessimism contribute to the detaining or even the failure of the reforms.

At any rate, the *market with its self-regulatory mechanisms* is late in making its beneficial effects felt on the living standard and life quality. The risk of being held captive in economic and social stagnation is evident, since Romania is placed in the vicious circle of acting by half-measures, of unconcluded gradual reforms, of deep-rooted communist mentalities [6, p.2]. In this context, state involvement should be coherent, firm, responsible and credible. The country's transition towards the market economy, the change of mentalities, the success of social, cultural and economic reforms cannot be achieved without the state's involvement. By this we do not mean that an authoritarian or technocratic state is desirable at all. The success of reforms would be secured by replacing the *national interest* paradigm by the *local interest* paradigm [1, p.243]; this could be achieved by the transfer of responsibilities to a regional or even local level and, more than that, by finding those precise ways of formation and support of national entrepreneurial spirit, which is the only one capable of extruding the economy from the vicious circle of stagnation.

In Romania favourable and necessary conditions exist for the regional development policy to extend and succeed. Compared to traditional market economies, disparities are still relatively limited; a network of urban centres exists where investment can be directed in order to create regional markets, while the working population's educational level is evenly distributed.

While a favourable institutional framework has been created in the domain of regional development, the local actors are sought to be involved in the shaping of regional policies; also, it is desirable to establish firm rules and to ensure the existence of incentives for the competition which can lead to the formation of an economic behaviour favourable to sustainable development and to social progress. The ADR (The Association for Regional Development) and the Regional Committees for Regional Development Plans (CRP) are envisaged here; in turn, they include representatives of the ADR-s, of the local authorities, district councils, decentralised offices of the public central institutions, higher education institutions and research institutes, as well as representatives of the social and economic actors.

The National Development Plan 2004-2006 has as a principal objective to promote a balanced participation of all regions of Romania in the social-economic development; regional development problems are dealt with within the framework of the broader goal of NDP, namely to *achieve economic and social cohesion*. This priority within the NDP concerning regional development has three main specific objectives [8, pp.160-164]:

- *to block the deepening of regional and sub-regional disparities*; the result should be the preservation of the present level of economic disparities between regions and particularly the blocking of the deepening disparities between the capital and the rest of the country.; to these, one should add the reverse, as far as possible, of the migratory flow from Bucharest towards the other areas of the country. This could lead to a decrease in intra-regional disparities through the creation of local markets of integrated labour and improved capitalisation of the urban-rural economic relations.
- *to block the process of urban decline*; this should enable Romania to maintain its present network of urban centres by simultaneously blocking the migration towards the rural areas, as well as towards the capital. In the long run, the objective is to limit the migration of active population away from the urban centres with a population of up to 150,000 people or at least to maintain it at its present level, as well as an improvement in the ratio urban-rural population;
- *to create employment opportunities in the marginal/under-favoured areas*; this implies the creation of jobs in the non-agricultural sector in those areas defined as marginal or under-favoured, which could effect in the creation of a minimum of economic activities throughout the country, a solution to possible emergency situations on a social level.

To achieve such objectives related to regional development requires an integrated strategy grounded in a combination of public investment in infrastructure, adequate distribution of financial support consisting of direct support for companies and incentives for the creation of economic opportunities in the marginal and under-developed areas. The PND in its present form represents the expression of the political power in Romania to elaborate a complex development plan in agreement not only with the National Development Strategy, but also with the European practice in regional and sector development. According to the NDP 2004-2006, the most important steps regarding the above-mentioned objectives refer to the following chapters:

– *An improvement in the regional and local business and transport infrastructure*

This measure aims at supporting the development of businesses on a regional level by co-financing public investment in business infrastructure, including local transport and tourism, as a continuation of the SAPARD programme. This measure addresses particularly local authorities and should be conducive to a sound business environment by means of improving the accessibility, the quality and the range of services for business, the rehabilitation of industrial areas and the development of their potential for tourism. Emphasis is laid on the creation of economic growth poles (by uniting banks, insurance companies, local administration and private firms), business incubators (by joining several newly created SME and supporting them to become the recipients of specific services), technological and scientific parks (by joining several companies whose production is based on high technology or companies that are involved in scientific research) with the aim of increasing their life-expectancy, of stimulating production and competition, of supporting research.

– *Modernising the water supply and sewage network in small- and medium-sized towns.* This measure is a continuation of the SAMTID programme. It aims at establishing suppliers of potable and industrial water, at improving the operators' performances and the standard of the services offered. This includes the rehabilitation and modernisation of water supply and sewage networks in the small- and medium-sized towns that have not benefited by public investment in the past decade. It addresses local public authorities and aims at stopping urban decline in these areas and, at the same time, at securing basic conditions for attracting investors.

- *The Development of the Tourism Niche.* The measure of stimulating tourism aims at developing mainly balneal tourism, a niche in which Romania has great potential in many peripheral areas of the country; thus, the existence of an European niche in this domain can be capitalised. This measure consists of a combination between the rehabilitation of existing facilities, investment in equipment and staff training for this particular type of tourism. The measure addresses local authorities with competences in managing balneal resorts; this could lead to favourable conditions of employment and to an increase in income in some regions of the country.
- *Improvement of access to and participation in initial professional training* represents a measure aimed at improving accessibility and quality of services in initial professional training in under-favoured areas, by improving the existing facilities with rehabilitation works and modern learning equipment kits, as well as training sessions adapted to the requirements of the local employment market. It addresses local public authorities and public schools and will contribute to local economic growth by improving employment opportunities for people in the under-favoured areas, at the same time discouraging the migration process.
- *The Development of the SME-s in the production sectors and in services.* This is a measure that is aimed at supporting the newly founded SME-s in particular by offering irredeemable credits (grants) for investment in production activities, including the ones which require a numerous work-force. The measure addresses particularly active small-sized enterprises in the under-favoured/remote areas that focus on recycling wastes and exploiting local resources. This measure is expected to stimulate the entrepreneurial spirit among the population and to contribute to economic growth and the increase in employment opportunities; it is also expected to stimulate such investment that had been deterred up to that moment, as the banking sector was reticent in financing new SME-s.
- *The Improvement of Waste Management.* This is a measure that aims at improving the waste management systems in small- and medium-sized towns, as well as at compensating the absence of public investment in the sector in the past decade. It addresses local authorities and will be grounded in a number of local initiatives, including waste collection and transport and the dissemination of loss techniques. The measure will contribute to the improvement of living

conditions in the peripheral areas, as well as to the blocking of urban decline and the increase in the number of localities to conform to UE regulations.

3. Conclusions

Returning to the to the issue of public *responsibility* in reducing regional disparities that we brought into discussion in the beginning of this paper, it must be said that public intervention in itself does not appear as a warrant for harmonious territorial and regional development, since an intensive territorial policy is bound to end in a discriminatory fiscal policy. Neither can the market system secure success since, in the absence of public intervention and of incentives for investments, the existing growth poles will lead to increasing disparities. In our opinion, the solution consists of a mixed state-market intervention that should be adapted to specific regional circumstances. The characteristic feature of a state-market mix is the presence of private companies and public institutions effectively inter-correlated, having a credible behaviour, clearly defined ethical standards and relying on mutually kept promises.

That is why we consider that all the measures considered under the NDP will be successful granted that the human factor is taken into account, starting with ordinary citizens and reaching up to the highest levels in the administration. For this reason, education plays a very important role, its task is to provide answers to questions such as "how", "when", "why" etc., so that the deep meaning of the reforms would be understood and accepted by all social actors. The entrepreneurial spirit itself needs to be educated and stimulated. By simply creating successful business incubators, technological or scientific parks, growth poles cannot be supported without an appropriate educational policy. This educational policy could represent the insertion of the long-lasting ideals of regional development and sustainable development in all the stages of conventional education and continuous learning.

In a different line of argument in our country, the *coherence* and essence of the reforms has been lost somewhere between the electoral cycles and between the various governments. Most governments have claimed that the only true reform is that which was initiated at the beginning of their own mandate, while all governments have in turn lost time and resources in legislative changes, a profusion of ordinances, promises and unsolved

problems [7, p.5]. This situation has led to uncertainty in the business environment, which discouraged both foreign investors and the timid attempts of local entrepreneurs. That is why the most important task of the politicians in our country is to build and consolidate a political standpoint of the parties which should be *coherent, comprehensive, consistent* and therefore *credible*; this standpoint should concern reforms and sustainable development programmes at a regional or national level; it should create solid, credible institutions, capable to attract funds, to have initiatives and to bring them to a successful end; also to consistently effect a development plan.

The very elaboration of the NDP seems to represent a first step in this direction in what concerns the determination of the political power to show an increasing sense of *responsibility*. Putting it into practice would imply *coherence* and *credibility*, the very elements which have so far been absent from the economic policy in our country. They are, therefore, the necessary ingredients for the success of a development plan on a medium and long term, as the issue at stake is the creation of an image of stability and trust offered to both citizens and the international economic institutions.

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