

ACADEMY OF ECONOMIC STUDIES OF MOLDOVA
DEPARTMENT OF ECONOMIC THOUGHT, DEMOGRAPHY, GEOECONOMICS

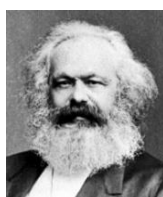
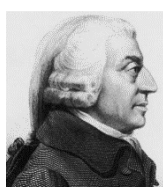


INTERNATIONAL SCIENTIFIC CONFERENCE

Classical and Innovative Approaches in Contemporary Economic Thought

SECOND EDITION

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INTERNATIONAL SCIENTIFIC CONFERENCE
CLASSICAL AND INNOVATIVE APPROACHES IN
CONTEMPORARY ECONOMIC THOUGHT

Considerations regarding the quality of life in the context of a changing Europe

CONFERINȚA ȘTIINȚIFICĂ INTERNAȚIONALĂ
ABORDĂRI CLASICE ȘI INOVATOARE ÎN
GÂNDIREA ECONOMICĂ CONTEMPORANĂ

Considerații privind calitatea vieții în contextul Europei în schimbare

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foreword

The International Scientific Conference “Classical and Innovative Approaches in Contemporary Economic Thought: Considerations Regarding the Quality of Life in the Context of a Changing Europe”

As the works of the second edition of the International Scientific Conference “Classical and Innovative Approaches in Contemporary Economic Thought”, held on the 27th of May 2016, have now been put together, it is with gratitude that we look back to the first edition of the Conference, held in 2015, to remember it as an auspicious event. On this occasion, the staff members of the Department of “Economic Thought, Demography and Geoeconomics” would like to thank all the Conference participants as well as the administrative staff of the Academy of Economic Studies of Moldova and, in particular, Academy’s Rector – PhD Prof. Academician Grigore Belostecnic, for all their support in organizing and holding the Conference.

The 2016 edition of the Conference has two notable peculiarities:

Firstly, this year’s Conference was dedicated to the 25th Anniversary of the Academy of Economic Studies of Moldova. We feel that, in the suite of celebration events, our reunion has stood uniquely as the conference

prefață

Conferința Științifică Internațională „Abordări Clasice și Inovatoare în Gândirea Economică Contemporană: Considerații privind Calitatea Vieții în Contextul Europei în Schimbare”

Cea de-a II-a ediție a Conferinței Științifice Internaționale „Abordări Clasice și Inovatoare în Gândirea Economică Contemporană”, desfășurată la data de 27 mai 2016, constituie un prilej de a constata, cu gratitudine, că ediția I a acestei conferințe, petrecute în 2015, s-a dovedit a fi de bun augur. Cu această ocazie, colectivul Catedrei „Gândire Economică, Demografie, Geoeconomie” mulțumește tuturor participanților la conferință, precum și administrației Academiei de Studii Economice a Moldovei, în persoana domnului Rector al ASEM, doctor habilitat, profesor universitar, academician Grigore Belostecnic, pentru sprijinul acordat.

Ediția din anul 2016, s-a remarcat prin două particularități, care pot fi evidențiate cu predilecție.

Ediția din acest an este dedicată celei de-a 25-a aniversări a ASEM. În suitele multiplelor evenimente de ordin științific, cultural și educativ, consacrate acestei aniversări, reuniunea noastră constituie acea conferință, care abordează în mod explicit

which addressed the Economic Thought in an explicit way, both from the perspective of the economic way of thinking and of the *history* of economic thought.

Secondly, this year's edition of the Conference has been an attempt to organise our event in partnership with the Austrian Economics Center. We very much hope that this is a beginning of a fruitful collaboration between our institutions.

We are delighted that in 2016, just as last year, our guests have been receptive to our incentive of reuniting at the conference that targets the subject of economic thinking – a subject of great relevance in today's world from the following perspectives.

From the perspective of the individual, we find that a man's personality cannot develop as such in the absence of the willingness to embrace the economic way of thinking, which allows us to capture a series of positive externalities. Thus, the cultivation of the economic way of thinking leads to the development of abilities to employ:

- Positive thinking in combination with critical thinking;
- Convergent thinking together with divergent thinking;
- Strategic thinking and, at the same time, creative thinking.

From the perspective of the country and the nation, we find that the unfortunate experience of the ex-soviet countries, where the economic thinking had been practically unrooted, determined our inability to oppose dogmas, such as the soviet-Leninist one, which proved to be a crass deviation from Karl Marx's theory, and then the dogma of radical liberalism, often promoted in our region by the international organizations.

We hope that with the works of this year's edition of the Conference we have managed to put a basis for a future scientific collaborative experience and have started to

gândirea economică, atât pe dimensiunea modului de gândire economic, cât și pe cea a istoriei gândirii economice.

Ediția curentă constituie, totodată, o tentativă de organizare a conferinței noastre științifice în parteneriat cu Centrul Austriac de Cercetări Economice (Austrian Economics Center). Nutrim speranța că, prin aceasta, se pune începutul unei colaborări, care va continua.

Ne bucură faptul că și în anul 2016 oaspeții noștri au reacționat la îndemnul de a ne reuni pentru o conferință ce vizează tematica gândirii economice, care iată că își dovedește relevanța deosebită în condițiile actuale, sub următoarele aspecte.

La nivel de individ, observăm că personalitatea nu poate fi dezvoltată ca atare, în absența gândirii economice, care, de fapt, îngăduie să captăm o serie de externalități pozitive. Astfel, dezvoltarea gândirii economice permite simultan formarea/educarea capacităților de:

- gândire pozitivă, concomitent cu capacitățile de gândire critică;
- gândire convergentă, concomitent cu cele de gândire divergentă;
- gândire strategică, concomitent cu cele de gândire creativă.

La nivel de țară și națiune, constatăm experiența tristă a țărilor din spațiul ex-sovietic, unde gândirea economică a fost, practic, dezrădăcinată, fapt care a determinat inabilitatea noastră de a ne opune dogmelor: la început, dogmei leninist-sovietice, care s-a dovedit a fi o abatere crasă de la teoria lui K. Marx, fondatorul socialismului, iar apoi – dogmei liberalismului radical, deseori, promovată pe tărâmul nostru de către organismele internaționale.

Totodată, referitor la ediția din acest an, fiind deja a doua ediție a conferinței ACIGEC, nutrim convingerea că am pus începutul unei experiențe, am început să

shape and promote an image for our Conference, which gives us a greater sense of responsibility.

In 2015, with the much-appreciated support of the AESM administration, we published a volume comprising the articles from the first edition of the Conference, both in paperback and electronic formats. The volume can be found at the following address in the online repository of the AESM Scientific Library:

<http://irek.ase.md/xmlui/handle/123456789/124>

The second edition of the Conference is an attempt to establish a tradition in organising our event – a tradition which, we believe, is confirmed through continuity and innovation. Thus, in 2016 we have decided to keep the name of the Conference as Classical and Innovative Approaches in Contemporary Economic Thought, with the intention of presenting the two approaches both as separate categories and in combination: when the classical element becomes innovative and the innovative one becomes classical. This year we have, however, introduced two conference panels:

PANEL ONE:

CLASSICAL AND INNOVATIVE APPROACHES IN CONTEMPORARY ECONOMIC THOUGHT AS TO THE TRANSITION ECONOMIES IN A CHANGING EUROPE

The name of the panel was inspired by the Austrian Economics Center's initiative: "Free Market Road Show 2016" – the trans-European economic forum for the popularisation of liberal values. In 2016, the forum was in its 9th edition and covered 45 different cities, including the largest European capitals. The Academy of Economic Studies in Chişinău had the honour to be the final host of this far-reaching tour. In the context of this event, as members of a research body, we have appreciated the opportunity to bring our contribution to scientifically approaching the

creăm și să promovăm o imagine a conferinței, conștientizând responsabilitatea noastră în acest context.

Urmare a desfășurării conferinței din anul 2015, a fost publicat volumul de articole, atât în format clasic pe suport de hârtie, cât și în varianta electronică, ce se conține în repozitorul Bibliotecii Științifice ASEM:

<http://irek.ase.md/xmlui/handle/123456789/124>

Aducem mulțumiri administrației ASEM pentru susținere în acest sens.

A doua ediție a conferinței ACIGEC constituie, de asemenea, încercarea de a seta o tradiție, inclusiv în sensul constatării evoluțiilor care au avut loc în decursul unui an. Suntem încrezători că această tradiție se confirmă prin continuitate și inovare. Astfel, în anul 2016, am păstrat denumirea „Abordări Clasice și Inovatoare în Gândirea Economică Contemporană”, în intenția de a prezenta abordările respective atât în calitate de categorii separate, cât și în varianta îmbinată a acestora, atunci când elementul *clasic* capătă rol de *inovator*, iar cel *inovator* ajunge a fi *clasic*. Totodată, în acest an, în cadrul conferinței noastre, am propus două paneluri pentru prezentări și discuții.

PANELUL UNU:

ABORDĂRI CLASICE ȘI INOVATOARE ÎN GÂNDIREA ECONOMICĂ CONTEMPORANĂ: ECONOMIILE DE TRANZIȚIE ÎNTR-O EUROPĂ ÎN SCHIMBARE

Denumirea acestui panel a fost inspirată de inițiativa promovată de Austrian Economics Center, și anume, Forul Economic Trans-european de popularizare a valorilor liberaliste „Free Market Road Show 2016”. În anul 2016, forul ajuns la ediția a 9-a, a cuprins 45 de orașe, printre care cele mai mari capitale și orașe europene. Onoarea de a încheia acest tur de anvergură i-a revenit orașului Chişinău, Academia de Studii

changes that Europe is undergoing today. We are pleased to have done this in collaboration with the Austrian Economics Center, which monitors and analyses the aforementioned changes.

PANEL TWO:

CLASSICAL AND INNOVATIVE APPROACHES TO THE LIFE QUALITY AND RELATED POLICIES IN CONTEMPORARY ECONOMIC THOUGHT

This panel has addressed the problem of life quality mainly in countries transitioning from a centralised economy to market economy. Having once been isolated from the economic civilisation of the Western Europe, some of these states have nowadays managed to adhere to it, while others still covet their integration. However, it seems that all those who had managed to integrate found that the institutional baggage with which one necessarily arrives at the point of integration, is, in fact, the *core* factor in determining the quality and efficiency of the integration process. At the same time, we realise that in the context of Europe “changing its face”, the states that are still in transition just have to *integrate themselves on the go*.

Another distinctive aspect of our Conference is that it had reunited predominantly university researchers, and, by virtue of this fact, we believe that our event reflected students’ expectations in terms of the subject of economic thinking. We would also like to remark that the participants of our Conference were representatives of all generations of researchers: academicians, renowned professors, as well as doctoral students and beginner researchers, allowing us to see this as a manifestation of the connection between the academic generations.

The Conference had also represented an inter-university forum, which called together professors and researchers from the most representative departments and

Economice a Moldovei fiind gazdă ospitalieră pentru al doilea an consecutiv de la lansarea turului în R. Moldova. În contextul acestui eveniment, am considerat oportun ca, în parteneriat cu Austrian Economics Center, care monitorizează și analizează schimbările prin care trece astăzi Europa/Uniunea Europeană, să ne aducem contribuția la abordarea științifică a acestor transformări.

PANELUL DOI:

ABORDĂRI CLASICE ȘI INOVATOARE ÎN GÂNDIREA ECONOMICĂ CONTEMPORANĂ PRIVIND CALITATEA VIETII ȘI POLITICI CONEXE

Acest panel al conferinței a vizat problematica respectivă, cu precădere, în țările de tranziție de la economia centralizată la economia de piață. Fiind cândva izolate de civilizația economică a Europei Occidentale, actualmente, o parte din aceste țări au reușit să se integreze în civilizația respectivă, altele încă mai jinduiesc, dar se pare că toate aceste țări s-au convins că, la etapa de integrare europeană, fiecare țară ajunge cu bagajul său instituțional, care, în fond, determină calitatea integrării. Pe de altă parte, atunci când Europa „se schimbă la față”, țărilor în tranziție nu le rămâne decât să se integreze din mers.

Un alt aspect distinctiv, conferința noastră a reunit, preponderent, cercetători universitari și, în virtutea acestui fapt, credem că a reflectat așteptările studenților în materie de gândire economică. În același timp, ținem să menționăm că, la conferință, au participat reprezentanți ai tuturor generațiilor actuale de cercetători – academicieni, profesori cu renume, dar și doctoranzi, cercetători începători. Astfel, reuniunea noastră a fost reprezentativă sub aspectul vârstei participanților, însemnând și o manifestare a legăturii între generații.

Conferința a constituit un for inter-universitar și, în acest sens, a reunit cercetători, cadre didactice de la cele mai

universities of the Republic of Moldova in the field of economic thought:

- The Academy of Economic Studies of Moldova, departments of: "Economic Thought, Demography and Geoeconomics", "Economic Theory and Policies", "Social Management" et al.
- The state University of Moldova, department of "Economics, Marketing and Tourism" et al.
- The Technical University of Moldova: departments of "Economic Theory and Marketing", "Engineering and Industrial Management";
- The Free International University of Moldova, department of "Business and Administration, IER and Tourism";
- The "A. Russo" State University, department of "Economic Sciences".

Undoubtedly, this year's edition of the Conference has been a wonderful occasion to celebrate the loyalty of our Conference's "old friends", as well as the receptivity of the new participants. We are delighted to note that from year to year, our forum is establishing itself as an *international* event, reuniting notorious researchers from outside R. Moldova, whom we would like to thank:

Mrs Barbara Kolm, PhD, director of the Austrian Economics Center, Vienna, Austria.

Mr Federico N. Fernandez, Senior Researcher, Austrian Economics Center, founder of Fundación Bases in Argentina.

Mr Ion Pohoată, PhD. Prof., department of „Economics and International Relations”, „Alexandru Ioan Cuza” University, Iași, Romania.

Mrs Livia Baci, PhD. Prof., department of „Economics and International Relations”, „Alexandru Ioan Cuza” University, Iași, Romania.

Mr Ceslav Ciobanu, PhD. Prof., Eminent Scholar, Virginia State University, USA.

reprezentative catedre și universități din R. Moldova, în domeniul gândirii economice:

- Academia de Studii Economice a Moldovei: Catedra „Gândire Economică, Demografie, Geoeconomie”, Catedra „Teorie și Politici Economice”, Catedra „Management Social” ș. a.;
- Universitatea de Stat din Moldova: Catedra „Economie, Marketing și Turism” ș. a.;
- Universitatea Tehnică din Moldova: Catedra „Teorie Economică și Marketing”, Departamentul "Inginerie și Management Industrial";
- Universitatea Liberă Internațională din Moldova: Catedra „Business și administrare, REI și turism”;
- Universitatea de Stat „Alecu Russo” din Bălți: Catedra „Științe economice”.

Cu certitudine, ediția de anul acesta a constituit un prilej de manifestare a fidelității "vechilor prieteni ai conferinței noastre" și, bineînțeles, a receptivității noilor participanți.

Totodată, constatăm cu deplină satisfacție că forul nostru se afirmă de la an la an, în calitate de conferință cu participare internațională, reunind cercetători notorii de peste hotarele Republicii Moldova, cărora, pe această cale, ținem să le mulțumim:

Dnei Barbara Kolm, doctor, director al Austrian Economics Center, Vienna, Austria.

Dlui Federico N. Fernández, cercetător superior, Austrian Economics Center, fondator Fundación Bases din Argentina.

Dlui Ion Pohoată, profesor universitar, doctor, Departamentul *Economie și Relații Internaționale*, Universitatea „Al. I. Cuza”, Iași, România.

Dnei Livia Baci, profesor universitar, doctor, Departamentul *Economie și Relații Internaționale*, Universitatea „Al. I. Cuza”, Iași, România.

Mr Boris Morozov, PhD. Associate Professor, University of Nebraska at Omaha, USA.

Mr Andrei Munteanu, University Lecturer at Jiujiang University, China, doctoral student at the Free International University of Moldova.

Mr Nick Hubble, journalist at MoneyWeek Research, London, PhD student at RMIT University, Australia.

Thus, our Conference has represented an excellent opportunity for inter-cultural communication as well as an occasion to appreciate the way of thinking representative of the academic culture of the Republic of Moldova, as well as of those of Romania, Austria, Germany, USA, China and Australia.

We would like to express our gratitude to all those who have contributed to the works of the second edition of the International Conference "Classical and Innovative Approaches in Contemporary Economic Thought" in 2016 and we very much hope that this year's edition will be remembered as an auspicious stepping stone in the life of the Conference, as well as in its participants' lives.

ELINA BENEĂ-POPUȘOI

Doctor, Associate Professor,
Head of the Department of
Economic Thought,
Demography, Geoeconomics, AESM



Dlul Ceslav Ciobanu, PhD, Savant Emerit, profesor universitar, Virginia State University, S.U.A.,

Dlul Boris Morozov, PhD, conferențiar universitar, University of Nebraska at Omaha, S.U.A.

Dlul Andrei Munteanu, lector universitar la Jiujiang University, China, doctorand la Universitatea Liberă Internațională din Moldova.

Dlul Nick Hubble, jurnalist la MoneyWeek Research, London, doctorand la RMIT University, Australia.

Așadar, conferința a constituit o minunată ocazie de comunicare interculturală, o ocazie de a aprecia modul de gândire reprezentativ pentru cultura universitară, nu doar din R. Moldova, dar și din România, Austria, Germania, S.U.A., China și Australia.

Ne exprimăm recunoștința față de toți cei care au contribuit la realizarea celei de-a doua ediții a conferinței „Abordări Clasice și Inovatoare în Gândirea Economică Contemporană”, organizată în anul 2016, și speranța că această ediție constituie un semn de bun auspiciu pentru viitor.

ELINA BENEĂ-POPUȘOI

Doctor, Conferențiar universitar,
Șeful Catedrei
Gândire Economică,
Demografie, Geoeconomie, ASEM

The University and the Economic Science about individual and national enrichment

The Economic theory about the making of the "wealth of nations" and of personal wealth

Paradoxically, but nowadays – at the beginning of the 21st century – there are still considerable differences between the Western and the ex-soviet states in terms of the creation and allocation of wealth. By contrast with the Eastern European countries, in Western Europe and even more in the USA, the problem of increasing wealth is studied both from the perspective of the individual and from the perspective of the country as a whole.

It is well known that starting with the works of Adam Smith, the science of economics has set its goal to be the discovering of new methods, mechanisms, and ways to increase the "wealth of the nation" and, after a century, through the works of the neoclassic economists, to increase the wealth of the enterprise. Consequently, from the very moment faculties of Economics appeared, their aim was to teach the students the theory and practice of generating and increasing the wealth of the country. The Economics faculty, first of all, teaches the student how to make the country wealthier and only after that does it teach him how to become wealthy himself. This approach works more or less well in the Western European countries because there, the issue of individual and national enrichment had already been raised five

Universitatea și Știința Economică despre îmbogățirea individului și a națiunii

Teoria economică despre crearea „avuției națiunilor” și a avuției personale

Paradoxal, dar astăzi, la începutul secolului XXI, mai există încă deosebiri importante între țările Occidentale și fostele țări socialiste în privința creării și repartizării bogăției. În Europa Occidentală, dar mai cu seamă în SUA, spre deosebire de țările Europei de Est, problema sporirii avuției este cercetată atât la nivelul întregii țări, cât și la nivelul individului.

După cum se știe, începând cu Adam Smith, știința economică și-a fixat drept obiectiv de bază descoperirea modalităților, mecanismelor, căilor de sporire a „avuției națiunii”, iar peste un secol, prin neoclasici, și la nivel de întreprindere. Ca urmare, de cum au apărut facultățile de economie, obiectivul acestora a fost să-i învețe pe studenți teoria și practica creării și creșterii avuției țării. Facultatea îl instruieste pe student, în primul rând, cum să facă țara mai bogată, și apoi cum să devină el personal bogat. Și această abordare este mai mult sau mai puțin corectă în cazul țărilor din Europa Occidentală fiindcă acolo problema înavuțirii la nivel de țară și de individ a fost pusă cu mai bine de cinci secole în urmă. Dar pentru fostele țări socialiste și, în general, pentru Europa de Est, această abordare este nu tocmai reușită. Să analizăm puțin.

centuries ago. However, this approach is by far not as successful in the ex-soviet countries and, generally, in the Eastern Europe. Let us examine the problem.

In the 16th century, the Protestant Reformation marked Western Europe. Interpreting the Bible in a completely different way from the official Catholic Church, the German pastor Martin Luther (1483 – 1564) and the French Jean Calvin have launched the idea that God loves and supports, in the first place, those who manage to acquire wealth. During the same period, the mercantilists were opting, from the perspective of the economic science, for the enrichment of the king as well as for the enrichment of the individual. The Protestant Reformation and the ideas of the mercantilists encouraged people to acquire wealth and to use it for the benefit of the entire society. Thus, individual enrichment became a commendable achievement, openly encouraged by both the Church and the state. In Paris, until the '20s of the 19th century, one could read on the walls of the city: "Become wealthy!", surely, within the moral boundaries imposed by the Reformed Church. People who were successfully doing business were supposed to have an honest and fair attitude towards their partners and employees. They did not spend their income in an egoistic manner for the satisfaction of personal wishes and caprice. A part of their money was meant to support the causes contributing to the benefit of the entire community. Thus, western European people started the race towards acquiring personal wealth. This desire of acquiring personal wealth was not a deviation from normal human behaviour since even in the ancient times, philosophers affirmed that enrichment is the most pleasurable human preoccupation. Even the Bible encourages enrichment: "For whoever has, to him more will be given; but whoever does not have, even what he has will be taken away from him." (Mark 4,25).

Not only in the Western Europe, but also in many of the Eastern countries, especially in India and China, individual enrichment was considered a commendable achievement and even a sacred duty for a man. For instance, the famous Indian thinker and spiritual reformer Swami Vivekananda (1863-

În Europa Occidentală, Reforma Religioasă are loc încă în secolul XVI. Interpretând Biblia în cu totul alt mod decât o făcea Biserica Catolică oficială, pastorul german Martin Luther (1483-1564) și francezul Jean Calvin au lansat ideea, precum că Dumnezeu îi iubește și-i susține, în primul rând, pe cei care reușesc să se îmbogățească. În aceeași perioadă, mercanțiștii au pledat, la nivel de știință economică, pentru îmbogățirea regelui, dar și pentru îmbogățirea individului. Reforma Religioasă și ideile mercantile i-au încurajat pe oameni să devină bogați, îndemnându-i să folosească bogăția acumulată spre binele întregii societăți. Îmbogățirea personală devine astfel o faptă laudabilă, încurajată în mod deschis și de Biserica reformată și de către Stat. La Paris, până în anii 20 ai secolului XIX, pe zidurile orașului puteai citi îndemnul „Îmbogățiți-vă”, dar nu oricum, ci în cadrul normelor de comportament, promovate de către Biserica Reformată. Pentru a avea succes în afaceri, oamenii trebuiau să fie corecți în relațiile cu partenerii și cu angajații. Totodată, banii erau cheltuiți nu doar în mod egoist pentru satisfacerea dorințelor și mofturilor personale. O parte din acești bani urmau să fie cheltuiți spre binele întregii comunități. Astfel, oamenii din Europa Occidentală au pornit în goană după îmbogățirea personală și această dorință nu era o abatere de la comportamentul normal, firească, deoarece, încă filosofi din Antichitate afirmă că „pricopsirea” este cea mai plăcută ocupație a omului. Apoi și Biblia încurajează îmbogățirea și îi susține pe cei bogați: „Celui care are, i se va da, iar de la cel ce are puțin, i se va lua și puținul” (Marcu 4, 25) - afirmă Cartea Sfântă a creștinilor.

Nu doar în Europa Occidentală, dar și în multe țări din Orient, în special, în India și China, îmbogățirea personală era considerată drept o faptă laudabilă și chiar o datorie sfântă a omului. Astfel, vestitul cugetător și reformator spiritual indian, Swami Vivekananda (1863-1906), scria: „*El [mireanul] trebuie să lupte energic pentru a acumula două lucruri – mai întâi cunoștințe, apoi avuție. Aceasta este datoria lui și este un*

1906) wrote: "At the same time, he [the layman] must struggle hard to acquire these things – firstly, knowledge, and secondly, wealth. It is his duty, and if he does not do his duty, he is nobody. A householder who does not struggle to get wealth is immoral." [1]

An independent Moldova and the illusion of an equitable distribution of wealth

As we can see, both in the Western European states and in some countries of the Orient, man is encouraged to accumulate not just knowledge, but also wealth. We – Romanians, Russians, Ukrainians, and others from this region of the world that was not subjected to the Protestant Reformation have, however, limited ourselves to the mere accumulation of knowledge and some little things, often believing the accumulation of wealth to be a shameful, unworthy, and even immoral endeavour. Surely, individuals were *still* taking the opportunity to gain money whenever such arose, however, not moved by the fear of God, nor encouraged by the economists and the State, but stealthily, somewhat illegal, the rich being often condemned, unappreciated, envied by those around them. In Moldova, as well as in the countries in its region, like Romania, Ukraine, Russia and Bulgaria, man's natural strive towards acquiring wealth was forcedly hidden, masked and often cut down as soon as it dared to show itself. This is not only due to the influence of the communist ideology but also due to some dogmas and traditions, including religious ones, rooted in the national conscience for many centuries.

When I was a pupil I remember often going to my local village church and hearing the following phrase of our Lord Jesus Christ cited on many occasions: "And again I say to you that it is easier for a camel to enter the eye of a needle than for a rich man to enter the Kingdom of God. "(Matthew 19,24). At that time, acquiring wealth was thought to be a shameful, immoral act, about which one would not normally speak in public, but at the same time, the man still strived to gain material goods, he was forced to behave hypocritically and to acquire wealth stealthily, often in an illegal and even criminal manner. Therefore, it is by far not a coincidence that more than 12%

om de nimic, dacă nu își îndeplinește datoria. Mireanul care nu luptă pentru a aduna averi procedează imoral".[1]

Moldova independentă și iluzia împărțirii echitabile a averii

Așadar, atât în țările Europei Occidentale cât și în unele țări din Orient, omul este îndemnat să acumuleze nu doar cunoștințe, dar și bogăție. Noi însă, românii, rușii, ucrainenii și alții din această zonă a lumii, unde nu s-a produs nici Reforma Religioasă, dar nici epoca mercantilistă, ne-am cramponat, ne-am oprit, în temei, doar la acumularea de cunoștințe și de lucruri mărunte, considerând, adeseori, îmbogățirea drept o faptă rușinoasă, nedemnă și chiar imorală. Desigur, indivizii se pricopseau, care și cum puteau, dar, de regulă, în afara unui comportament creștin, fără frică de Dumnezeu, nefiind încurajați de către Stat sau de către economiști, ci pe ascuns, oarecum ilegal, cel bogat fiind adeseori condamnat, neapreciat, și chiar dușmănit de cei din jur. În Moldova, precum și în țările din jurul ei – România, Ucraina, Rusia, Bulgaria și altele, dorința firească a omului de a se pricopsi era ascunsă, mascată, iar adeseori curmată „din fașă”. Și nu doar de ideologia comunistă, ci și de anumite dogme și tradiții, inclusiv religioase, înrădăcinate de secole în conștiința națională.

Când eram elev, mergeam, adeseori, la biserica din satul natal și deseori auzeam cuvintele Domnului nostru Iisus Hristos „Mai degrabă, va trece cămila prin urechile acului, decât va ajunge cel bogat în Rai” (Matei 19, 24). Pe atunci, îmbogățirea era considerată drept o faptă mai mult sau mai puțin rușinoasă, imorală uneori, despre care era interzis să se vorbească public. În același timp omul tindea, în mod instinctiv, să se pricopsească. El era nevoit să devină fățarnic, duplicitar și să se îmbogățească pe ascuns, de cele mai multe ori pe căi ilegale și chiar criminale. Astfel, nu este deloc întâmplător faptul că în zilele noastre, peste 12% dintre studenții ASEM consideră că numai

of the AESM students believe that it is only the corrupted people, the criminals and the thieves who become rich. In other words, they believe that the acquisition of wealth does not have anything in common with the sense of morality, with good common sense and the religious sentiment.

In the last two or three decades, Moldovans have supported the idea of the massive involvement of the state in the economic life of the country. Why? Not because they genuinely favoured this idea. In the soviet times, individuals who held leadership positions in the party and within public enterprises had subsequently fraudulently benefitted from the results of the privatisation process and citizens were hoping that state's intervention in the economic sphere would re-establish order inside the system and call to account those involved in the frauds. Unfortunately, Moldova's political class did not endeavour to make justice but tried to steal as much as it could i.e. milliards. Now, 25 years since the Proclamation of Moldova's Independence, the necessary circumstances finally formed, at least from the theoretical and psychological points of view, for the conscientious Moldovan elector to opt not for an interventionist state, but for the liberalist ideas also promoted by Friedrich von Hayek and the Austrian School of Economics.

A student survey on personal enrichment

To find our students' opinions on personal enrichment, we have conducted a micro-study on approximately 100 AESM students from the faculties of International Economic Relations and Accounting. The results of our study show that our students know very little about the secrets to personal enrichment, this being one of the main reasons why they emigrate. When it comes to personal enrichment, the AESM students nowadays think much the same way we were thinking four or five decades ago. 62 % of the questioned students say their life goal is to become good specialists in their fields. 28% of the students admit they want to become rich. It is only 6% who want both to become good specialists and to be rich. We can, therefore,

persoanele corupte, hoții și criminalii pot deveni bogați. Cu alte cuvinte, în opinia lor, îmbogățirea nu are nimic comun cu moralitatea, cu bunul-simț, cu sentimentul religios.

În ultimele două-trei decenii, moldovenii, au susținut ideea unei implicări masive a statului în viața economică. De ce? Nu fiindcă ar fi agreat prea mult această idee. Pur și simplu, persoanele care în perioada sovietică dețineau posturi de conducere în organele de partid, precum și în întreprinderile publice, ulterior au beneficiat fraudulos de roadele privatizării. Și oamenii au sperat că în perioada ce va urma, organele de stat, implicându-se activ în economie, vor face ordine și îi vor trage la răspundere pe cei vinovați de fraude. Din păcate, însă, clasa politică din R. Moldova nu s-a gândit cum să facă dreptate, ci cum să fure și ea, cât mai mult, adică cu miliardele. Acum, după 25 de ani de independență, s-au creat condițiile necesare, cel puțin sub aspect teoretic și psihologic, ca alegătorul conștiincios să pledeze nu pentru un stat intervenționist, ci pentru ideile liberaliste, promovate inclusiv de Friedrich von Hayek și Școala Economică Austriacă.

Un sondaj printre studenții ASEM

Pentru a cunoaște ce gândesc studenții noștri despre îmbogățirea personală, am efectuat un micro-sondaj pe un eșantion de circa 100 de studenți de la facultățile de „Relații Economice Internaționale” și „Contabilitate” ale ASEM. Rezultatele sondajului demonstrează faptul că studenții noștri nu știu cum să decopere tainele îmbogățirii personale și aceasta este una din cauzele principale ale plecării lor peste hotare. În problemele îmbogățirii personale, studenții ASEM gândesc astăzi cam tot așa precum gândeam și noi cu patru-cinci decenii în urmă. Astfel, 62% dintre cei chestionați au mărturisit că au drept obiectiv al vieții dorința de a fi buni specialiști. 28% dintre ei, totuși, doresc să devină bogați. Și numai 6% ar dori să fie atât buni specialiști, cât și persoane bogate. Conchidem că în opinia majorității

presume that in most students' opinion, being a good specialist excludes the possibility of also being rich. Nevertheless, as the ancient philosophers said, deep inside their heart, everyone has the desire to become rich. Thus, 42% of the questioned students said they did not know how to become rich. Other 40% affirmed they did not think at all about acquiring wealth and 6% of the students even said they were afraid of wealth.

If more than 80% of the students either do not think about becoming rich or do not know how to achieve this, what do they intend to do? The answer seems to come from the soviet times: 72% of the students intend to simply work more, even though it is known that it is not the physical and intellectual effort that is the basis of great fortunes. Approximately 20% of the students who want to become rich intend to move to a foreign country, where they hope to become rich because of some favourable circumstances. Finally, we found that only 8% of the questioned students will try to find the secrets of personal enrichment here, at home. In this context, neither the economic science nor the University is prepared to help them, for instance, through courses targeting the subject of personal enrichment. However, it is namely the statement "Become rich at home!" – this should be the slogan of the day for the Moldova's young generation – "with the State, the University and the experts from the European Union helping you reach this natural goal!"

The secret to individual enrichment and quantum physics

So, what is the secret to becoming rich? Those who became rich and who tried to help others in achieving this goal confess that the source of wealth can be found within each of us, in our way of thinking. "What you have in your pocket is what you have in your head" (Russian: "Что в голове то и в кармане"). Thus, the secrets of personal enrichment are related to the way in which we think – a fact demonstrated by studies in quantum physics. As I have attempted to show in my book, "The Economics of the Creative Imagination" ("Economia Imaginației Creative") [2] the starting point of any production process is represented by one's intentions, wishes and

studenților, faptul că ești un bun specialist exclude posibilitatea de a fi bogat. În adâncul sufletului, însă, după cum spuneau filosofii antici, fiecare dorește să se pricopsească, să devină bogat. Doar că 42% dintre studenții chestionați au recunoscut că nu știu cum să devină bogați. Alte 40% dintre studenți au spus că, de fapt, nu se gândesc deloc la avere, la pricopsire, iar 6% dintre respondenți se tem de bogăție.

Dacă peste 80 la sută dintre studenți nu se gândesc la bogăție sau nu știu cum să devină bogați, ce le rămâne să facă? Răspunsul pare că vine din epoca socialistă, căci 72% dintre studenți intenționează, pur și simplu, să muncească mai mult, deși, precum se știe, munca fizică și intelectuală nu se află la baza marilor averi. Circa 20% dintre studenții care doresc să devină bogați, dar nu știu cum, intenționează să plece peste hotare, unde speră să devină bogați ca urmare a unor întâmplări fericite. În fine, doar 8% dintre cei chestionați vor încerca să afle secretele îmbogățirii personale acasă. În această privință, nici Știința Economică, nici Universitatea nu sunt, deocamdată, pregătite să-i ajute, de exemplu, prin introducerea unor cursuri speciale vizând metodele de îmbogățire personală. Or, lozinca zilei pentru tinerii din Moldova ar trebui să fie „Îmbogățiți-vă acasă! Căci și statul, și universitatea, și specialiștii din Uniunea Europeană vă vor ajuta să atingeți acest obiectiv firesc.”

Taina îmbogățirii personale și fizica cuantelor

Care-s tainele îmbogățirii personale? Persoanele, care au devenit bogate și care au dorit să-i ajute și pe alții în această privință, mărturisesc că izvorul bogăției se află în fiecare din noi, în modul cum gândim. „Ai în buzunare lucrurile la care te gândești cel mai mult” – spune un proverb modern. («Что в голове, то и в кармане».) Deci, secretele îmbogățirii personale se află în modul de gândire, fapt demonstrat și de realizările recente ale fizicii cuantelor. Astfel, precum am arătat în lucrarea „Economia Imaginației Creative” [2], orice proces de producție are drept punct de pornire intențiile, dorințele și

imagination, which are all real physical forces and not just empty efforts.

Talking about the power of thoughts, the famous Serbian inventor Nikola Tesla said that people will be able to produce electrical power with their minds. In the writings attributed to the mythical character Hermes Trismegistus, dated to the centuries 2-3 AD, we find the affirmation that the physical matter, as well as the circumstances of a man's life, are created inside his imagination. In other words, a man creates his own fate, becoming, if he so chooses, rich through the way in which he thinks.

To conclude, we would like to highlight the need to eradicate duplicity and hypocrisy from the mentality of Moldova's citizens by encouraging them to follow the path of personal enrichment. What the Protestant Reformation and mercantilists' ideas did in Western Europe five centuries ago, should be done in Moldova, with some delay, by the economic science, the university and the state, of course – through the assistance of the specialists from the European Union, including those from Austria.

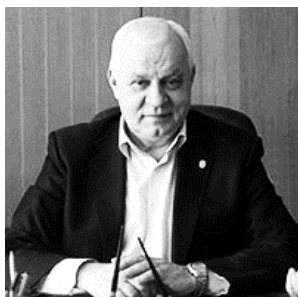
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imaginația individului, care sunt forțe fizice reale, și nu doar eforturi sterile, deșarte.

Vorbind despre puterea gândului, celebrul inventator sârb Nikola Tesla spunea că oamenii vor produce în viitor energie electrică cu ajutorul minții. În scrierile atribuite personajului mitic Hermes Trismegistul, datând din secolele 2-3 d. Hr. se afirma că, în imaginația individului se creează atât materia propriu-zisă, cât și evenimentele și întâmplările din viața sa. Cu alte cuvinte, prin felul cum gândește, omul își creează singur soarta, devenind, dacă dorește, bogat.

Așa stând lucrurile, credem că, în Moldova, există necesitatea de a scăpa de duplicitate și de fățarnicie prin încurajarea populației să purceadă pe drumul îmbogățirii personale. Ceea ce, în Europa Occidentală, a făcut Reforma Religioasă și ideile mercanților, cu circa cinci secole în urmă, la noi, deși cu o anumită întârziere, ar trebui să o facă știința economică, universitatea și statul, desigur, cu concursul și asistența specialiștilor din țările Uniunii Europene, inclusiv din Austria.

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Panel One

Classical and Innovative
Approaches in Contemporary
Economic Thought as to the
Transition Economies in a
Changing Europe

Panelul Unu

Abordări Clasice și
Inovatoare în Gândirea
Economică Contemporană:
Economiile de Tranziție într-o
Europă în Schimbare

We reserve the right to refuse admission? The current immigration debate within Austrian Economics

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Abstract. *Immigration is a pressing issue – particularly in Western developed societies. Members of the Austrian tradition have made the case for both free and restricted immigration. This paper presents the main thesis of this current debate within Austrian Economics and concludes with a proposal for some further developments.*

Keywords: *immigration, forced integration, free movement, Austrian economics.*

Introduction

Immigration is a pressing issue nowadays, especially in Europe and the United States. Some of the most interesting scholarly literature about it comes from the field of economics. Within economics, one can find the Austrian School of Economics or Austrian tradition¹.

Austrian economics is usually – and with good reason – related with the tenets of Classical Liberalism and even Libertarianism. Regarding immigration, the *standard* position of the Austrians, the classical liberals and the libertarians seems to be the favouring of unrestricted immigration². Ludwig von Mises, a key intellectual figure of the Austrian tradition, defended an open borders policy and thought of it as the struggle of our time: “*When liberalism arose in the eighteenth and nineteenth centuries, it had to struggle for freedom of emigration. Today the struggle is over the freedom of immigration*” (Mises 1927: 137). For Mises “*the closed-door policy is one of the root causes of our wars*” (Mises 1944: 263). These words resonate even more when one takes into consideration Guido Hülsmann’s (2007) conjecture about Mises’ life project. For according to Hülsmann, Mises’ work should be interpreted as a task of immanent salvation; more precisely, as the secularisation of the Jewish idea of salvation. Accordingly, Mises undertook with his writings the task of saving European civilisation. Therefore, his ideas about immigration³ – as the rest of the ideas he published – should not be taken lightly.

Yet within the Austrian tradition, we find no monolithic support of unrestricted immigration. What is more, as we shall argue, it was, in fact, a staunch Misesian who firstly made the case against unrestricted immigration. Thus,

that could ever happen to Austrian economics. Since the features of what we consider a school can also become limits to its development.

² Our non-exhaustive list includes Block 1998; Boudreaux 1997; Boettke and Coyne 2005; Caplan 2012; Ebeling 1995; Krepelka 2010; Machan 1998; Powell 2010; Reed 1994; Todea 2010.

³ Please see Mises 1927, 1935 and 1944.

¹ We believe that it is better to refer to Austrian economics as a tradition instead of a school (Vaughn 1994). The features of a school of thought are fluid interaction between few members, geographical proximity and linguistic and cultural homogeneity. All of these aspects of the original Austrian School of Economics were lost due to the “diaspora” from Vienna during the 1930s. Rafael Beltramino (Ravier 2011) considers that, in a certain way, this was the best

Murray Rothbard (1994) was the first prominent Austrian to oppose free immigration approximately two decades ago. Rothbard wrote briefly about this subject, explaining why he changed his mind about it. Nevertheless, we consider his work seminal. It seems to us that the thesis presented by him in his 1994 article “Nations by consent: decomposing the nation-state” set a *blueprint* for the developments carried out by his disciple Hans-Hermann Hoppe.

And it is because of Hoppe that the internal debate in the Austrian tradition exists. Since the nineties, Hoppe has provocatively suggested that free immigration and free trade do not presuppose each other. Moreover, Hoppe believes that free immigration acts against free trade. Therefore, if we want free trade we *must* restrict immigration. Hans-Hermann Hoppe arrives at these conclusions taking anarcho-capitalism as the starting point for analysis.

Naturally, opposition to immigration is not the predominant position regarding immigration within the Austrian Tradition. As we mentioned above, Mises himself was in favour of free immigration. Closer to us in time, Richard Ebeling, Benjamin Powell and Walter Block hold a strongly favourable position towards immigration. Their arguments stem both from economic theory as well as Libertarian theory.

A priori, the issue of immigration should not be a topic susceptible of inner debate in a tradition so closely related to the postulates of Classical Liberalism and Libertarians as is Austrian economics. However, it certainly is. And we welcome this internal Austrian debate. We believe that it is of great interest – not only to people who belong to the Austrian tradition. In fact, as in many other issues, the views on the Austrians can provide us with valuable insights and useful tools for analysis.

In what follows, we will present in detail the main ideas of five authors regarding immigration. These are Richard Ebeling,

Benjamin Powell and Walter Block on the one hand and, Murray Rothbard and Hans-Hermann Hoppe on the other. We will conclude our paper with some critical remarks on both positions.

I

“Give me your tired, your poor, your huddled masses, yearning to breathe free”.

Engraved in the Statue of Liberty

At the base of Richard Ebeling’s (1995a; 1995b) case for open immigration lies a critical effort to refute what he considers to be social fears and political myths about the subject. In doing so not only will he try to dismount these mistaken or biased views but he will also highlight some neglected advantages of immigration.

Let us start with the “They steal our jobs” fear⁴. Ebeling notices that the presupposition for this objection against immigration is the idea of a *zero-sum game* and the finitude of jobs that an economy has. Therefore, whenever an immigrant gets a job, this must have been previously held by a native citizen. According to this view, the foreigner’s gain is the native’s loss.

However, our author rightfully points out that as long as scarcity exists there will always be *more* work to be done. The supply of good and services depends on the supply of resources with which those goods and services are produced. An increase in the supply of the resources in a given market can very well result in an increase in goods and services produced in that market. Consequently, *“Immigrants... rather than stealing away jobs, in fact, enable the market to fill jobs for which the labour supply was previously too small. All in the society tend to benefit as the general standard of living goes up through the increased quantity and improved quality of all of the marketable goods for which there is a demand”* (Ebeling 1995).

Ebeling’s second social fear regarding immigration has to do with the question of

⁴ This *fear* regarding jobs losses and possible widespread unemployment will be, logically, a topic treated by all our authors.

whether immigration labour lowers wages and, in turn, Americans' standard of living. This relates to the possible fact that immigrants, in order to be hired, might make themselves more attractive to potential employers by lowering their wage expectations from what locals are presently earning, thus pressuring the natives to match these lower wages in order to be able to keep their jobs.

Naturally, one of the comparative advantages of immigrants resides in the fact that they tend to be willing to offer their services for lower wages than the ones that presently exist. Nevertheless, Ebeling refers to the beneficial secondary effects of this situation.

The sectors *affected* by the presence of these cheaper immigrants will now have a lower cost of production. Who will be the direct beneficiary of these cheaper labour costs? The consuming public. Why? Because these lower costs mean greater profits for the employers. The consequent expansion of production will cause prices to decline over time as businesses compete for consumers. Additionally, lower prices will leave consumers with extra money in their pockets. Consumers can now demand some product they could not previously access. The workforce in the sectors with growing demand will be increased. And how could employers in these sectors attract new workers? Probably by offering higher wages. Therefore, not only will consumers in general benefit from less expensive goods and services but also many workers will receive higher wages.

The third social fear Ebeling addresses is the *cultural* one. How could a large number of immigrants be assimilated by the American society and culture? Perhaps small numbers of immigrants every year, strict quotas and further limitations make better assimilation possible. Huge waves of immigrants will never be able to learn the language and absorb the culture. Ebeling here makes use of history. The same concern has been expressed regarding every previous wave of immigration. Germans in the 19th century were accused of living in secluded communities and it was feared that they would never learn the English language. Similar things were happening the 1970s within the

Vietnamese community. However, in only one generation time, the descendants of these and other groups became completely "Americanized". Our author acknowledges threats to assimilation. However, these threats do not proceed from the immigrants themselves. As with many social problems, the state is the one to blame. In Ebeling's own words: "*The only things that can hamper the economic progress and cultural assimilation of immigrants are bad governmental policies: licensing restrictions that make it difficult to begin small businesses and enterprises; heavy tax burdens that destroy savings and investment incentives; welfare programs that draw people into the dead end of economic dependency upon the state; government schools, with their mandatory bilingual programs and socialist educational methods, that, more often than not, make it difficult for the children of immigrants to learn English rapidly and to adapt to their new country*". These evils, and not immigration, are the ones that should be fought against.

Finally, Ebeling deals with the economic effects of free and un-free flows of people across borders. Needless to say, his interest focuses on the case of Mexico and the US. How would that work? What would be the consequences of such a thing? Who and why opposes that? Our author starts by reflecting on how free movement of people works within the US. *Freedom of trade and freedom of movement* are established principles in America. Therefore, producers are able to settle in the parts of the country that best suit their preferences and needs. In turn, workers can also establish themselves wherever they want. So, the wages paid in every part of the country tend to be equal. Now suppose that an increase in demand for the products produced in, let's say, California happens at the same time that a decrease in the products produced in New York. Californian producers will now offer higher wages to attract more workers to their industries. The unfortunate New Yorkers producers, on the contrary, will now start offering lower wages. This can very well create an incentive for New York workers to move to California. As more and more of them do so, California wages will tend to decline due to the increase in labour supply. Moreover, the

departure of workers from New York and its logical consequence of a diminishing in the labour force will tend to raise New York's salaries. What is the result of this process? The result is California's and New York's wages being roughly equivalent. Ebeling thinks that the same principles apply when the considered geographical area is comprised not of two states within the same national entity, but of two different countries. Hence, the barriers that forbid free immigration are the ones to blame for the disparity between the wage rates in the US and Mexico. *"Under laissez-passer, the discrepancy between what was paid for one type of labour in the United States and what was received for the same type of labour in Mexico would act as an incentive for workers to move, until economic adjustments were made. Instead, this rigidity imposed on the market by the governments concerned has caused the wage differentials to widen more and more"* (Ebeling 1995). Although Mexican immigrants may earn less than the average wage in the US, these immigrants will earn much more than they would if they stayed in Mexico.

II

"Immigrants tend to have especially desirable behavioural characteristics from the economic point of view. Compared to natives, their rate of participation in the labour force is higher, they tend to save more, they apply more effort during working hours, and they have a higher propensity to start new businesses and to be self-employed. They do not have a higher propensity to commit crime or to be unemployed, and (for better or for worse) their fertility rate is not higher".

Julian Simon (1989)

We would now like to focus our attention on Benjamin Powell (2010). Powell poses a fundamental question in economic terms: What is the optimal number of immigrants? His answer: *"Absent a market process, there is no way to centrally plan the optimal number and mix of immigrants any more than it was possible for the Soviet Union to centrally plan its markets. Instead of restricting*

labour flows at arbitrary places where politicians happened to draw lines on maps, we need a free market in labour. That means open borders. Not only would free immigration make the native-born population richer but also it would be an effective way to help the poor of the world" (Powell 2010). In order to make his case, Powell follows a strategy similar to Ebeling's – debunking fallacies and misconceptions. Like Ebeling, his analysis focuses on the situation in the US.

The first fallacy Powell wants to reject is the one that states that immigrants are a drag on the economy. In reality, says Powell, the arrival of immigrant workers has two positive outcomes for the US economy. On the one hand, they boost the overall size of the American economy. Even George Borjas, an academic critic on immigration, concedes that the net benefit that the immigrants create for the native people is of twenty-two billion dollars a year (Powell 2010; Borjas 2009). On the other hand, the presence of immigrants gives the native-born workers the freedom to do what is in their comparative advantage. Thus, *"the basic economic case for free trade in labour", says Powell, "really isn't different than that for trade in goods and services"* (Powell 2010).

Powell also concerns himself with the fallacious statement that immigrants take the natives' jobs. The key issue here has to do with what is seen and what is not seen. Though everybody can see when a native loses her job in the hands of an immigrant not everybody can see the positive effect of creating a new job where the native-born person can use their abilities for more productive purposes. Besides, since 1950 the US workforce has done nothing but grow. The civilian workforce has grown since the fifties from sixty million to one hundred and fifty million. However, there has never been long-term unemployment since that decade. The pattern would be more people – more jobs.

Our third fallacy is the one that affirms that immigrants systematically depress the wages of the natives. Turning towards an empirical argument, Powell takes a more radical position on this issue than Richard Ebeling does.

Not only, says Powell, this debate has narrowed down to the effects on wages of high-school drop-outs but also empirical analysis forces us to take into consideration the fact that immigrants who enter the workforce demand goods and services – which causes the demand for labour to increase. Although the laws of supply and demand would dictate that wages should fall, we must not neglect that there are other things besides the workforce that change with the arrival of immigrants. Non-high-school drop-outs can, in fact, see their wages increased by immigrant workers. This is so for two reasons:

- Firstly, immigrants who go to the US searching for jobs are either highly skilled or very low skilled. Most Americans are so to speak in the middle. Therefore, these immigrants who possess a different set of skills do not substitute the natives but complement them. *“Many of the immigrants to the United States are either extremely highly-skilled or very low-skilled. Yet most native-born labour falls somewhere in between. The native-born population makes up around one-third of adults in the United States without a high school diploma. A large portion of new PhDs is awarded to foreign-born people. To the extent that immigrants are complementing U.S. labour, they can increase, rather than decrease, the wages of the native-born.”* (Powell 2010).
- Secondly, the arrival of immigrants means an expansion of the workforce. As Adam Smith realised, specialisation and division of labour are limited by the extent of the market. A bigger workforce allows more specialisation and division of labour, which, of course, causes a rise in the productivity and wages.

Powell also presents replies to some of the most usual concerns and problems regarding immigration. With regard to criminality, he recommends that an open border policy for immigrants is be complemented with a swift deportation system for criminal immigrants. He notices that not only will this be beneficial for decent immigrants but will also help keep incarceration costs down.

In the view of the problems that large waves of immigrants might pose to the welfare state, he pays attention to two questions. Previous government interventions should not be the rationale for new interventions. In fact, this is the perverse logic of interventionism that Ludwig von Mises (1929, 1952) so lucidly described. Instead of advocating for further interventions the goal should be repealing the welfare state. What is more, a growing number of immigrants making use of the “benefits” the welfare state system offers could very well help put a greater strain on it and eventually suffocate it.

Powell also asks us to try to envision the logical conclusion of this defence of *welfare-ism*. If immigrants are not granted entrance due to the danger their presence might impose on the welfare state, then why should the native-born individuals be granted the right of having a baby? *“After all, children are likely to be a net tax burden for their first 18 years and possibly afterwards. The problem is not immigration per se. The real problem is that in the midst of a welfare state, immigration, like having children, lets some people push the costs of their decisions onto others”* (Powell 2010).

Finally, Powell helps us introduce a topic that we will expose in more detail in section V. This is the problem of *forced integration and freedom of association*. In this aspect, Powell refers directly to Hans-Hermann Hoppe and his stance on immigration. Our author highlights that freedom of association is related to both the right to exclude and to the right to freely associate. For this reason, restrictions on immigration attenuate the property rights of the individuals who wish to establish a contractual relationship with a foreigner such as renting or selling real estate. Furthermore, from the Austrian point of view, the consequences of leaving the right of exclusion, in order to avoid forced integration, to the state and to the state alone could be terrible. *“By advocating restrictions on immigration because of state ownership of roads, they, too, are helping push down the road to socialism”* (Powell 2010).

III

"Almost 70% of American voters under the age of 30 voted for Obama. Why isn't anyone calling for the deportation of America's youth, or limits on fertility to raise our average age?"

Bryan Caplan (2009)

Walter Block's case for free immigration (1998, 2011a, 2011b) can be divided in, at least, two sections. One would comprise his own position about immigration. The other would have to do with the lengthy academic debate held by Walter Block on one side and Hans-Hermann Hoppe⁵ – and Stephan Kinsella, to a certain extent – on the other.

Block builds his case for free immigration relying on Murray Rothbard's⁶ *non-aggression axiom* and criticising the objection to open borders. According to Rothbard:

The libertarian creed rests upon one central axiom: that no man or group of men may aggress against the person or property of anyone else. This may be called the "*non-aggression axiom*." "*Aggression*" is defined as the initiation of the use or threat of physical violence against the person or property of anyone else. *Aggression* is, therefore, synonymous with *invasion*.

If no man may aggress another, if, in short, everyone has the absolute right to be "free" from aggression, then this at once implies that the libertarian stands foursquare for what are generally known as "civil liberties": the freedom to speak, publish, assemble, and to engage in... "*victimless crimes*" (Rothbard 1978: 23). Block believes that immigration is a case of victimless crime and migration barriers like

tariffs and customs are a violation of *laissez-faire* capitalism (1998). His approach is radical and leaves no space for compromises or partial solutions. Immigration is either the peaceful movement of individuals from one country to another or a sort of invasion and trespassing of private property that must be utterly stopped. Thus, "*the legality of migration is an all-or-none matter: either migration is per se legitimate, in which case it would be improper to interfere with it in any way, or it is per se invasive, in which case it should be prohibited, totally and comprehensively, just as in the case of murder and rape*" (Block 1998: 170).

What are national boundaries? For Block, these represent nothing more than arbitrary lines drawn on a map. Therefore, international immigration – far from being an act of invasive nature – means only peacefully moving to a foreign country. Block considers internal and international migration an identical phenomenon. "*If it is non-invasive for Jones to change his locale from one place in Misesania to another in that country, then it cannot be invasive for him to move from Rothbardania to Misesania. Alternatively, if migration across international borders is somehow illegitimate, this should apply to the domestic variety as well*" (Block 1998: 173).

Does this imply some sort of absolute right to freedom of movement?⁷ It does not, according to our author. For immigration to be a legitimate action, the immigrant must either move to a private piece of land where she is accepted or she should settle in owned lands. Block rightfully mentions the extremely rare case in which there is no owned land in a country and all owners refuse to invite immigrants. Not

⁵ Block is an extremely controversial author who is used to take his thesis to the extreme. It is even possible that the Jeffrey Tucker's recent article (2014) against Libertarian Brutalism might have been directed in part against some of Block's stands (2008). However, it must be mentioned also that Block also conducts his discussions in a polite and civilized manner. Hoppe, unfortunately, replies to his critics in a questionable manner. For Hoppe, the proposal for open borders lacks any merit (Hoppe 2002: 87) and the position of so-called "left-libertarians" such as Block deserves a psychological-egalitarian explanation (Hoppe 2002).

⁶ Given Rothbard turn on immigration, both Block and Hoppe have him as the starting point of their position.

⁷ Regarding emigration, Block (1998) makes two very interesting points. The first one is that like the countries behind the Iron Curtain in the past and Cuba and North Korea today, states which do not allow their citizens to leave freely are nothing but huge jails. The second one is that the so-called "free education" cannot be consider a proper reason to restrict individuals' movements. As Block says, "the right of emigration is so important that its absence implies outright slavery" (1998: 171).

even in such a case, immigration laws should be necessary. It will be enough for owners to exercise their rights to avoid trespassing.

We can now review some of the objections to free immigration Block analyses and his replies to them.

Mises' unique statement against free immigration was in 1944, during the Second World War and it logically refers to the possibility that open borders may allow an enemy invasion.

Under present conditions, the adoption of a policy of outright *laissez-faire* and *laissez-passer* on the part of the civilised nations of the West would be equivalent to an unconditional surrender to the totalitarian nations. Take, for instance, the case of migration barriers. Unrestrictedly opening the doors of the Americas, of Australia, and of Western Europe to immigrants would today be equivalent to opening the doors to the vanguards of the armies of Germany, Italy, and Japan (Mises 1944: 10).

Unrestricted immigration is no synonym for extreme pacifism or surrender to foreign aggression. The point here is that there is an immense difference between peaceful settlers and an invading army.

Another typical objection suggests that immigration will create or exacerbate unemployment. "*This objection illustrates nothing so much as economic illiteracy*", believes Block (1998: 176).

What about wages going down because of the immigrants? Our author concedes that some workers could lose out. Nevertheless, following Hoppe (1993), Block shows that individuals are only entitled to the physical aspects of their property but not to the value of it. For value is determined in the market process.

Will unrestricted immigration increase crime? Block does not deny the fact that open borders might facilitate the access of criminals to the opened country. But, he thinks that this is rather a criticism towards the criminal justice system than to open borders. Drug prohibition is responsible for the incarceration of many people who committed, according to Block, a "*victimless*

crime". Together with its open borders, a libertarian society would have a "serious" criminal system. "*A libertarian society, moreover, would get tougher on genuine criminals. There would be no more cosy jails with colour TVs, air conditioning, or recreation rooms. If indentured servitude for convicts were brought back, prisons could be run by private enterprise, instead of draining taxpayers of vast amounts of money to house inmates, they could turn a profit.*" (Block 1998: 18).

Could free immigration promote *welfare-ism*? Block's answer is twofold. On one hand, though it would be optimal to end welfare for all, it could at least be completely limited to immigrants. Thus, the power of attraction that the welfare subsidies exercise would be eliminated.

Block also considers that this line of thinking may open Pandora's Box. Such preventive logic could be applied in other realms. So, as immigrants are stopped because of a possible future danger they might pose to the welfare state, why not stop people from having babies as well? These are also candidates to become welfare recipients.

Of great interest is our author's discussion of the thesis that free immigration should not be implemented as long as the rest of the libertarian program was implemented. Block's fundamental criticism of this position is that it hopes to get the results of a free market society under interventionism. Block cleverly calls this approach "*postponement libertarianism*" and exemplifies this attitude with, for instance, Milton Friedman's voucher educational system.

The final objection Block tries to rebut is the one that indicates that massive immigration can turn into a threat to the very free system that makes it possible. Historically, Block brings to our attention that several great figures of the history of the freedom movement arrived at the US from abroad.

There have been immigrants in our history who have improved our freedom immeasurably. The names Ludwig von Mises, Friedrich A. Hayek, Israel Kirzner, William Hutt,

Ludwig Lachmann, Hans Hoppe, Yuri Maltsev, Kurt Leube, James Ahiakpor, George Ayittey, Nathaniel Branden, Barbara Branden, Sam Konkin, Harry Watson, David Henderson, and Ayn Rand leap immediately to mind in this context. A closed-door policy in the past might well have made it impossible for these people to contribute to our society. And this is to say nothing of all the children and grandchildren of immigrants who have made significant contributions. How could it be otherwise, given that virtually all of us are *“the children and grandchildren of immigrants”*? (Block 1998: 183)

Block also adds that the most direct way in which foreigners could disrepute the institutions of liberty is through voting. But, the real problem lies here not in how immigrants would vote but in the voting itself. A truly free society would not permit the confiscation of property through voting or any other method. Therefore, this problem would dissolve.

IV

“(…) A wide and diverse range of communities which people can enter if they are admitted, leave if they wish to, shape according to their wishes”.

Robert Nozick (1974: 307)

We have now reached Murray Rothbard and with him, we start our review of Austrians who are against unrestricted immigration. As we said in the introduction, Rothbard’s work in related to immigration is indeed seminal. The scheme Rothbard presented in *“Nations by consent: Decomposing the nation-state”* (1994) will be brilliantly developed by his friend and disciple Hans-Hermann Hoppe. So, let us introduce the key points of this Rothbardian blueprint.

Rothbard identifies two problems related to free immigration. One is the growing amount of welfare subsidies that immigrants receive. The other is the tremendous threat that massive immigration poses on culture. Rothbard fears a scenario similar to Jean Raspail’s *The camp of the saints* – in which the entire population of India migrates to France and totally destroys the French economy and culture.

“I began to rethink my views on immigration when, as the Soviet Union collapsed, it became clear that ethnic Russians had been encouraged to flood into Estonia and Latvia in order to destroy the cultures and languages of these peoples” (Rothbard 1994: 7). This problematic situation leads him to view the issue of immigration from the following perspective: How would immigration be under an anarcho-capitalist situation? This is, all square footage is fully privatised and there is absolutely no public property. *“On rethinking immigration on the basis of the anarcho-capitalist model, it became clear to me that a totally privatised country would not have ‘open borders’ at all”* (Rothbard 1994: 7). From this anarcho-capitalist perspective the characteristics of immigration change completely. In a fully privatised land immigration would not be possible unless the potential immigrant is in possession of an invitation and a rental or purchasing real estate contract. Thus the preferences of the community will be respected and *true diversity* will reign. In this way, ethnic and economic homogeneity or heterogeneity will be decided not by a central authority, but by different groups of individuals according to their own wishes while exercising their freedom of association. In this way, each and every group will have the opportunity to live by their values and standards.

In the current situation of immigration as a “national problem” dealt with by the central authorities, Rothbard thinks there is a clear violation of individuals’ wishes and the state is, in fact, imposing open borders over at least part of the population. *“A totally privatised country would be as ‘closed’ as the particular inhabitants and property owners’ desire. It seems clear, then, that the regime of open borders that exists de facto in the U.S. really amounts to a compulsory opening by the central state, the state in charge of all streets and public land areas, and does not genuinely reflect the wishes of the proprietors”* (Rothbard 1994: 7). States, unlike now, should start following the model of total privatisation – even if areas of public property remain.

V

“The lower middle classes – the French that one no longer dares to call “Français de souche” (ethnic French) – are already moving out of the Parisian suburbs and farther into the countryside. They have experienced that in some neighbourhoods they are the minority in their own country. They are not afraid of the others, but rather of becoming the others themselves”.

Alain Finkielkraut (2013)

What Rothbard only drafted, Hans-Hermann Hoppe (2001, 2002) develops and expands with great lucidity and originality.

This originality can be seen in Hoppe’s approach to the issue of immigration. Our author is ready to accept that from a strictly economic point of view, the case for unrestricted immigration is irrefutable⁸ (Hoppe 2001). He also concedes that the existence of large welfare state systems in any given society does not constitute an argument against immigration. In fact, the possibility that some immigrants could become “welfare bums” and put an extra burden on the shoulders of taxpayers should not be taken as a rationale to limit immigration but as a powerful reason to abolish the welfare state – which, as our author believes, should be destroyed in its entirety.

Nevertheless, this classical argument for free immigration suffers from two shortcomings. In the first place, according to the Austrian subjectivism, we cannot reduce wealth exclusively to material wealth. If so, one cannot deduce that immigration is “good” from a rise in living standards alone. The second shortcoming is related to the implicit assumption that a

⁸ Hoppe presents it quite fairly as follows:

The classical argument in favor of free immigration runs as follows: Other things being equal, businesses go to low-wage areas, and labour moves to high-wage areas, thus affecting a tendency toward the equalization of wage rates (for the same kind of labour) as well as the optimal localization of capital. An influx of migrants into a given-sized high-wage area will lower nominal wage rates. However, it will not lower real wage rates if the population is below its optimum size. To the contrary, if this is the case, the produced output will increase over-

country is a *unowned* territory and the immigrants enter a virgin frontier.

Like Rothbard (1994) did, Hoppe assumes an anarcho-capitalist situation. With this scenario, in which all property is privately owned, there will be no such thing as free immigration. Admission to the different territorial units would be according to what owners allow. These possible restrictions – even if they are taken to the degree of extreme segregation – do not mean a simultaneous limit to free trade. No economic protectionism derives from owners exercising their property rights. One can perfectly trade *from a distance*. “It is precisely the absolute voluntariness of human association and separation – the absence of any form of forced integration – that makes peaceful relationships – free trade – between culturally, racially, ethnically, or religiously distinct people possible” (Hoppe 2001: 140). If this is so, free trade and restricted immigration – the possibility to exclude immigrants on the basis of property rights – constitute a virtuous circle in which they reinforce each other and they are a force for peace. Thus, not only do free trade and restricted immigration not contradict each other but in order for free trade to be sustainable and peaceful, it *requires* restricted immigration. But obviously, we do not live in an anarcho-capitalist context. So, the micro-management of migration, community by community, from the anarcho-capitalist ideal situation changes completely.

“(…) Under statist conditions immigration is immigration by ‘foreigners’ from across state borders, and the decision whom to exclude or include, and under what conditions, rests not with a multitude of independent private

proportionally, and real incomes will actually rise. Thus, restrictions on immigration will harm the protected domestic workers qua consumers more than they gain qua producers. Moreover, immigration restrictions will increase the “flight” of capital abroad (the export of capital which otherwise might have stayed), still causing an equalization of wage rates (although somewhat more slowly), but leading to a less than optimal allocation of capital, thereby harming world living standards all-around (2001: 137).

property owners or neighbourhoods of owners but with a single central (and centralizing) state-government as the ultimate sovereign of all domestic residents and their properties (macro migration)” (Hoppe 2002: 81-82). Under these conditions, and depending on government policies we can either have forced exclusion or forced integration. We suffer the former when a resident invites a person and makes all the preparations for her arrival to her property but the government prevents this person to enter the state territory. We suffer the latter when the government admits a person who has not received any invitation from a resident.

The state is at both ends of this process. Massive migration movements follow a clear pattern, according to Hoppe. They move from countries which exploit their citizens more to countries that exploit their citizens less. The receiver states, in turn, impose their native citizens *forced integration* via the complete nationalisation of road and means of transportation and a variety of laws that minimises private property right to exclude.

Hoppe warns that currently the US, Australia and Western Europe, far from *free immigration* are under a process of continuously *forced integration*. Advocates of free immigration are in fact pandering invasion and/or forced integration to be imposed on resident-owners. Free trade requires an agreement of two parts. Therefore, it is mutually beneficial. Immigration should follow the same logic. Hoppe states:

Trivial as this distinction may appear, it has momentous consequences, for free in conjunction with trade means trade by invitation of private households and firms only; and restricted trade does not mean protection of households and firms from uninvited goods or services, but invasion and abrogation of the right of private households and firms to extend or deny invitations to their own property. In contrast, free in conjunction with immigration does not mean immigration by invitation of individual households and firms, but unwanted invasion or forced integration; and restricted immigration

actually means, or at least can mean, the protection of private households and firms from unwanted invasion and forced integration. Hence, in advocating free trade and restricted immigration, one follows the same principle: of requiring an invitation for people as for goods and services (2001: 161).

This leaves us with the question of how could we solve this problem. If immigration as currently understood causes forced integration, what can we do? Hoppe (2001) makes an explicitly public policy proposal. A popular government, says Hoppe, should try to preserve the anarcho-capitalist feature of no-forced-integration. To protect its citizens from invasion and forced integration a government has two sets of measures at hand. As a preventive measure, the government, as trustee of the people, must at all possible points of access for non-residents – such as airports, ports, etc. – check that they are in possession of a valid invitation by a domestic property owner. These valid invitations should consist of contracts between one or more domestic resident and the arriving person. To be valid, this invitation may or may not involve employment but it has to involve housing. The government should also implement corrective measures to curve the effects of forced integration. The easiest way to do this – which, by the way, could also have a tremendous positive impact on the economy – is to reduce the amount of property in the hands of the state. This process of privatisation of property should be accompanied by the return of the right of admission to private owners.

Finally, the fundamental criteria to acquire citizenship ought to be the ownership of real and residential property. “*Only by selling real estate to a foreigner does a citizen indicate that he agrees to a guest's permanent stay, and only if the immigrant has purchased and paid for real estate and residential housing in the host country will he assume a permanent interest in his new country's well-being and prosperity*” (Hoppe: 2001: 168).

Conclusion

“It is not the welfare state as such that creates the problem of immigration; rather, it is the confession of faith of the would-be immigrants. If their confession inherently threatens the moral and judicial foundations of the free society, then immigration is a problem, with or without the presence today of a welfare state. Freedom is based on more than private contracts. It is based on a moral vision, which includes a vision of the moral boundaries of the state”.

Gary North (1998: 219)

Hoppe’s challenge for the Austrian School in particular and free marketers, in general, is outstanding. As we saw, not only is restricted immigration acceptable for Hoppe under libertarian terms but, according to him, it is the only policy consistent with free trade!

Hoppe (2001) also raises the issue of culture. He explicitly expresses his concerns about how viable multicultural societies can be. This issue of culture is not new to the Austrian tradition⁹. However, perhaps Hoppe opens the door for a new approach closely related to the *culturist* one such as that of Samuel Huntington (2000, 2004). On the contrary, Block and Ebeling explicitly repudiate concerns about assimilation on somewhat unsatisfactory and naïve grounds. In the case of Block, these grounds even border dogmatism¹⁰.

As in many of the Austrian internal debates, the risk that is run is irrelevance and *ghetto* mentality. On both sides, we find a tendency towards what we might call a *retreat to utopia*. Regarding immigration, Austrians normally advocate for the complete abolition of the welfare state altogether (Powell 2010). The

above mentioned complete disregard to the matters of assimilation is usual (Block 1998, 2011; Ebeling 1995). And even the call to a generalised secession and a total reshaping of European countries as we know them today (Hoppe 2002).

Hic et nunc most of Western societies deal with immigration problems. They are faced with a dilemma: the positive economic consequences of immigration versus some disturbing social outcomes, particularly in Europe. As Mario Fantini explains: *“One can point to the advantages of having immigrant workers and trot out data showing the benefits of the ‘brain gain’ from open immigration. But, in the end, if an immigrant arrives who eschews assimilation, derides local customs, rejects cultural norms and mores, and believes in ideas and values that are directly opposed to classical liberalism (the experience of contemporary Europe), then even the staunchest advocate of open borders should think twice. Without respect for institutions, the intricate web of rights and obligations and responsibilities on which a common political project depends will not long remain intact”*¹¹.

Moreover, Hoppe wants to go beyond utilitarianism. For him, the issue must be settling between right or wrong. What matters is what is fair for the residents. With the economic side of immigration technically decided in favour of its positive function, we are now faced with the question of whether governments should do something to defend their citizens’ rights regarding this issue. Could massive immigration be violating the residents’ rights? Hoppe, from an Austrian and libertarian position, says “yes” and asks the government to do something about it – at least as a second-best alternative.

⁹ Please see Hayek (1988).

¹⁰ Thus says Block:

“I stand second to no one in being appalled at the prospect of millions of new settlers from these latter nations inundating our beloved United States; murdering, raping and pillaging.

However, I have a concern I regard as even more important; libertarian theory. Perhaps it is possible for

utilitarian or consequentialist libertarians to reconcile their principles with regulated borders, but this is not possible, I contend, for deontological ones such as myself” (2011a).

¹¹ On line debate at FEE. Please check: https://www.fee.org/the_freeman/arena/immigration

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The Austrian School of Economics – a good theory with slim chances of becoming good policy

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Abstract. *The goal of this article is to prove that, starting with the Great Depression of 1929 – 1933 and up until today, the Austrian School of Economics has always positioned itself “against” the status-quo. In other words, the official economic policy did not build on its theoretical foundations. Considering this as our starting position, we attempt to prove that this was a bad course of action for the economic policy, as well as for the wellbeing of the individual. For the economic science, the fact that the Austrian School did not sign the pact with political compromise is a positive thing. In this context, we will present how the usual marriage between science and politics takes place by using the Keynesian example, and all the consequences that follow from such an affair.*

Keywords: *economic policy, Austrian School of Economics, economic growth, liberal values, rule of law, welfare state, fiscal tyranny, progressive taxation.*

Defining the problem

Through its entire theoretical edifice, the Austrian School (considered as a whole, not divided based on the Mises / Hayek distinction) was, and still is, paying attention to law making; law making which it did not refuse to guide, but to whom, considering the way things happen in the real world, it attributed rather idealized features. Hayek’s “The Road to Serfdom” [4] or Mises’s “Planned Chaos” [10], “Interventionism: An Economic Analysis” [11] and “Economic Policy: Thoughts for Today and Tomorrow” [13] are just some examples of the manner in which two emblematic minds of the Austrian School concerned themselves with law making and economic and social policy. Judging by the aforementioned books and others, whose authors draw inspiration from Wieser, Bawerk or Menger, it can be clearly seen that the Austrian School has its own version of law making. Capturing its essence into one proposition would sound something like this: free market economy restricted only by laws designed to serve the individual, each and every single one in part and all alike.

The difference between the forms that political decisions have taken and the economic policy recipes suggested by the theoretical tenets of the Austrian School serves to show the nature and content of its position understood from a law-making point of view. If we take the time period between the first big economic crisis of 1929 – 1933 and the present day as the timeframe of the analysis, it isn’t hard to notice that the Austrian School has always been “swimming against the current”; it did not set the tone, nor provided inspiring models for the official policy adopted by the world’s states. In broad lines and in agreement with the main hypotheses and laws that came into being inspired by the ideational spirit of the Classical School, the Austrian School pitted itself against the tendency that the ever-increasing Keynesian influence exerted over the economic policies of the twentieth century. If, for what is admittedly considered to be the progress of a school of thought, this state of affairs can be conceived as a positive or negative development, is not a very easy thing to tell. From a methodological point of view, what ultimately validates or invalidates a theory is the result of putting it into practice. Or,

during the 20th century, it was not the Austrian School that became acknowledged. Starting with the Lipmann colloquium in 1938, liberalism as a whole enters a period of “opposition” and the Austrian School followed suit. Its tenets and convictions did not offer solutions for the political hastiness and opportunism that the crisis of 1929 – 1933 demanded. In other words, what we are trying to say is that the conclusive decision factors for the 20th century were hastiness and improvisations conceived under the spur of the moment rather than long-term planning and resilience. In the short run and answering promptly to the necessities of the moment, the Keynesian doctrine imposed its convictions and inspired, in a consistent manner, the economic policy of the 1929 – 1933 period as well as that of 2008 – 2011. This is the typical manner in which the marriage between politics and science takes place.

One does not select the theoretical tenets that are meant to reform a drifting economy from the ground up, but rather those that serve in a timely fashion and in an all-encompassing manner an immediate political stake which, on many occasions, has an electoral flavour. In such circumstances, the following questions must be asked:

1) If the man of science writes and says exactly what the politician wishes to hear, should this approach consolidate the scaffolding of his theoretical construction?

2), Does economic policy gain a badge of approval and the status of being scientifically certified through such gestures, especially when, on the spot, the economy stops its stagnation and seems to resume its natural course?

Our opinion is that in such moments, scientific rigour gives way to “intellectual prostitution”. The history of economic facts and ideas teaches us that, unfortunately, this was the model that stuck; what mattered was who and what whispered in the politician’s ears about what must be done to find a temporary fix; the long term, the firmness of the construction mattered less because, knowing all too well whom we are citing, “in the long run we’re all dead”! Especially in regard to such a dangerously permissive model, the Austrian School can only position itself as an opposing principle. Its

theoretical tenets have to do with the long-term health of the economy and are in direct contradiction with political opportunism, provisional policies and populism.

The Austrian School is not at all popular; it does not speak directly to “the masses” and it does not support political views by making abstraction from its essential tenets. Elitism confers it its characteristic distinction. Although the works of important Austrian economists are not meant to provide reading material for the working class, they do not wish it harm, quite the contrary. The fact that countries who adopted liberal values in order to build their economic policies now experience economic growth represents a confirmation that liberalism, even in an indirect manner and as a mixed doctrine, did, in the long run, its duty. Thus, in the long run, the apparent opposition of the Austrian School is a masked one. But are we willing to validate such analyses when no government lasts for a century and it is only interested in short time spans? Or, in the end, what is it that interests us, the continual well-being of the individual, or a present state of wellbeing that lend itself to descriptions and concrete promises. Unfortunately, present wellbeing is the ground where political agendas meet electoral purposes. Long term wellbeing remains confined to the realm of science. The economists, who knew how to speculate this type of “logic”, impressed and were glorified. Those willing to die for an idea, all too aware that such conduct will send them in the realm of ungratefulness, remained unpopular, unwanted by the policies of the day and their doctrines became “cold”. Keynes followed by Stiglitz [17], Krugman [7], Piketty [14] and so on, serve as examples of the first case; the Austrians, without exception, prove the second case. Who truly wins and who loses? In regard to that which constitutes a solid lesson on economic dynamics, Keynes is nothing more than a temporary, questionable success and a sure loss in the long run; the Austrians, on the other hand, start off as an apparent, short term, loss and deliver long-term success. On the trajectory at whose end the Austrian School will prove not only the solidity of its theoretical tenets but also its direct, practical, utility, only ascribed to this course of action does it profit from the chance of being “against the status

quo". This, we believe to be for the good of the economic science and of the individual. In the following sections, we will try to demonstrate this hypothesis, and the argument will be structured on three levels, each one corresponding to a specific confrontation of competing concepts belonging to the doctrines of liberalism and interventionism.

The rule of law vs. The welfare state

The Austrian conception about the origin, development and the operations of a state based on the rule of law have no equal in the economic literature as far as the force of arguments and the elegance of style are concerned. Mises, and especially Hayek, excel on the subject.

Mises tackles the problem by framing it in the context of the individualism – holism relation. He is compelled to admit that the individual is born in an already organised social environment, one in which individual behaviours must find a way to coexist and assert themselves. It is possible that, in a certain context, a contradiction may appear between the goals of the individuals and the general one, that of a pre-existing society. In search of a compromise, Mises is not willing to weight "superior social advantages" against "immediate individual sacrifices" [Mises, 12, p.155]. Like all Austrians, Mises finds collective wellbeing to be an indecipherable and indefinable concept. For the potential conflict between individual and society, he sees democracy as the only way out. And he does so because "It provides a method to submit, in a peaceful manner, the government to the will of the majority" [Mises, 9, p.158].

Hayek also notices the latent, but the very real potential for conflict between the goal of the individual and that of the community. Continuing Adam Smith's line of thought, he is compelled to admit that the Smithian spontaneous order is not sufficient to support social order. Apart from the dominant spontaneous element, he also accepts the regulatory element, acknowledges "consciously created" laws, laws made by the people for the people, but, very importantly, laws that concern the whole but not the separate, individual agent. Precisely because of the last cause, since it is difficult to reconcile the goal of each individual

with the general goal of the community, the state comes into being. It comes into existence to "... draw attention to the rules on which the spontaneous order rests and ... to provide the services that spontaneous order can't adequately provide" [Hayek, 5, p.56].

Hayek's ideas about the state have remained a generous theme for further consideration. Concerning our subject, we are particularly interested in two of his conclusions. First of all, the Hayekian state represents much more than the Smithian "night watchman". But it represents more only in regard to the extent of the area that it must administer – as a "producer of order", Hayek's "services" have a more encompassing sphere of action. In effect, Hayek remains grounded in Smith's vision, by conceiving the state as a sum of rules, of good practices that play a coagulating role in people's actions, thus enabling the existence of social life. Secondly, the Hayekian state retains a part of the essence that defined the state as it was understood by the first liberal economists – the physiocrats. We are thinking of its essential role, that of a wise teacher whose main attribute is to "enlightening" people, to help them discern between what matters to them personally and what is of interest for all of them, indiscriminately. Since the trend of this enlightening process is a beneficial one, the logic of the minimal state becomes obvious. In other words, the Austrians, much like the first liberal economists and philosophers, desire a powerful state, but one that is reduced to its absolute minimum size.

This isn't though the logic that was encouraged by the orthodox economy. Otherwise, James Buchanan would have had no material to work with, had things been different. On the contrary, the second half of the twentieth century and the beginning of the twenty-first one were dominated by the idea of ever increasing the role of the state. If this dance of statist joy would have lured in only pygmies, there would have been no danger. Unfortunately, "the great officials of science" overwhelmingly favour the expansion of the state's role. Let's study just a few examples.

On page 117 of Krugman's book *The Return of Depression Economics and the Crisis*

of 2008 [7], he deceives us that he has liberal roots. He claims them as being Keynesian and tries to prove it by interpreting the author of The General Theory and professing, in the same manner, that the economic engine affected by the crisis could be repaired through “*a very limited kind of intervention which would not harm private property and the right of individual decision making...*” [Krugman, 7, p.117]. He does not let us indulge for too long in this illusion because on page 129 of the same book he tells us, explicitly, what the “Keynesian pact” means in times of crisis: a reduction of interest rates and a massive increase in public spending and taxation levels. Or, these have nothing to do with “a very limited kind of intervention”. On the contrary, these measures represent a massive and drastic intervention in fundamental areas of the economy. As such, liberalism is nowhere to be found.

Another celebrated economist, Nouriel Roubini, beats the same drum as Krugman. In his well-known book, *Crisis Economics: A Crash Course in the Future of Finance* he does not seem to endow the “Santa Clause” version of the state, nor even Keynes himself. With phrases such as “*Non-performing banks go bankrupt, are restructured and born again*” [Roubini, 15, p.292] he seems to be convinced of the self-sustaining and selective virtues that the dynamic of free markets offers, even during crises. He even seems shocked that after the combined intervention of the government and the central banks, the other banks “... had the audacity to claim that their lousy actives were worth more than what every common judgment would afford. It’s like putting lipstick on a pig” [Roubini, 15, p.298]. Roubini is convinced of the necessity to break out of the vicious circle because “... while continuously postponing for tomorrow that which we can do today, we risk letting the banks fall into a financial coma, turning them into undead entities dependent on public credit” [Roubini, 15, p.298]. An Austrian would follow through with this idea. That is after he would advance an alternative explanation for crises and the economic cycle. Roubini can’t seem to conquer his fear that without intervention, the patient known as the economy in crisis will unjustly die. He quickly does away with the idea that “some banks must go bankrupt ...” [Roubini,

15, p.304], gives up and compares the crisis affected the economy, a crisis created by a few undisciplined economic actors, with a giant apartment building which, because of one tenant’s foolish activity of smoking in bed, risks catching on fire and burn to the ground. Therefore, even if the guilty banks should go bankrupt, such a lesson would “go unnoticed in the raging hell” [Roubini, 15, p.306]. To avoid such a scenario, so as not to “burn down” the economy, Roubini admits the need for intervention.

We could also add to the aforementioned ideas Stiglitz’s generous lesson about the inexhaustible reservoir of collective wisdom that the state possesses. It is enough to read at least once *Freefall: America, Free Markets, and the Sinking of the World Economy* [17] in order to find out that without the state, no serious undertaking can be accomplished.

We can draw the following concluding idea: During the last great crisis, these last few names have been invoked to come up with solutions; these and all of Keynes’s followers. No name and no idea belonging to the Austrian School have even been examined by the influential officials of the world. When will the time of the Austrians finally come?!

Money as an institution vs. money by the waggon! What about the banks?

It is unanimously accepted that in a modern economy, management at the macro level is inconceivable without money and banks. Mises spent a great deal of energy to demonstrate the incapacity of the socialist economy to use economic calculus, more specifically, monetary calculus. Calculus using physical units was deemed to be more faithful in expressing “great achievements”. The refuse of money in socialist economies was based on their weak ability to faithfully convey economic results. Yet, the aforementioned aspect doesn’t constitute the main difference between the role money plays in an interventionist regime, be it socialist or Keynesian, compared to a liberal one. It has more to do with the different manner of interpreting the genesis and functions of money and, consequently, the mission of the banks.

Two great contributions, well deserved to be catalogued as classical, are known on the subject. They are attributed to Marx [8] and Menger [9]. If one strips Marx of his ideological shell, one realises that he and Menger make the same claim: money was created in order to measure value. The need to make trading operations more effective determined the creation of money as a general equivalent to be used in the world of goods. After being certified by the history of economic facts, they gained the status of an institution, of proved and tried practice. The entire world, not just the scientific echelon, understood that their main function is to offer a standard for expressing value. All the other functions, including that of means of exchange, are derivatives of its main characteristic.

Of great importance to our subject is the statement that money is not created as an intentional act of will, be it personal or public. Menger is very explicit when stating that "*Money is not the product of an agreement on the part of economising men or the product of legislative acts. No one invented it*" [Menger, 9, p.262]. But if money is the result of a spontaneous process, the product of a „trading environment“, must this necessarily mean that public authority, namely the state, has no contribution whatsoever? Menger is not taking things that far. "The fundamental heterogeneity of individuals" and, consequently, the heterogeneity of subjectively assessing values, compel Menger to accept the state only as an authority meant to enforce the value aspect of money. Otherwise, money is nothing more than a "shared belief", an institution boasting the characteristics of an "optimal choice". How can this type of optimality be reconciled with the state's prerogatives of not only enforcing the value of money, but also of determining, through administrative measures, the necessary quantity of money, is a question whose answer represents the end of an on-going dispute which Hayek and Friedman saw fit to resolve either through the "*denationalization of money*" (Hayek [3]) or through privatizing the process of monetary emission (Friedman [2]).

The origin of the argument can be found in Keynes's main work – The General Theory. Keynes was not so gullible to not realise that the main function of money is to act as a standard for

expressing value. But it did not bode well for him that, according to said principle, there can be neither a greater nor a lesser quantity of money circulating at any given time in an economy than that which is necessary to give the measure of existing value and the purpose of the banks is to manage the process in order to preserve the health of the economy and the wellbeing of the individual. As an academic, he served science but he also wished to serve the state. Or, for his sake and the promise of fame, he feels puzzled. Keynes doesn't seem to care about the consequences and it became apparent that he signed a pact with the government when he wrote that "... if money could be cultivated as a harvest or produced in the same manner as a car engine, economic depressions could be avoided or ameliorated" [Keynes, 6, p.297]. If the tendency of lax monetary emission, freed from the limits imposed by the purpose of expressing value, is not sufficiently clear, on the very same page, Keynes writes that "... *money are like a bottomless sack for purchasing power when demand for them is rising*" [Keynes, 6, p.297]. Keynes's "scientific" thoughts will act as inspiration for all those who will see excess monetary emission, with no connection to the world of goods, as a solution to overcome a great crisis. Despite Hayek's warnings, Keynes's message made and is still making history. It inspired the New Deal and Mario Draghi's view that money is not that which economy says it is, but that which the government decides it should be. This concession comes bundled with the opinion endorsing the bank as a "lender of last resort". One cannot accept this line of thought unless one accepts that it is perfectly normal to mobilise trucks full of money if the Keynesian effective demand requires it, invoking the hypocritical assistance of the state and, at the same time, doing away with the laws of bankruptcy. Unfortunately, refuting such a point of view proves to be quite difficult. When officials, such as Alan Greenspan or Mario Draghi base their initiatives on "established" voices and the writings of Nobel laureates such as Stiglitz or Krugman, it is difficult to swim against the current. De Soto, Boettke, Salin or Hülsmann can only "shout". Their arguments fall on deaf political ears. The politicians can't (or rather won't) hear them!

“The Fiscal Tyranny” vs. The world empire of progressive taxation

“The Fiscal Tyranny” [16] is the title of an emblematic book, written in the Austrian tradition, which tackles the topics of anti-statism and interventionism. Through Pascal Salin’s pen, the curious reader finds out that taxes, just like the state, are a necessary evil. One that we cannot make do without because we are “condemned” to live in a city, be it a civilised one, to whom we reach out when non-individualized public expenses are to be made in order to provide for the necessities of social life. It’s clear that, in a purely liberal manner, Salin argues that the optimum solution is that of the minimum government and a minimum level of taxation. Throughout history, the state proved to be an inefficient and unskilled spender of money when it comes to better the condition of each and every individual, so it is wiser to let the individual take care of such affairs; to relieve the state and “free” him of as many public duties as possible. That this is almost impossible, given the “natural talent” that those in public offices display when it comes to spending in an unproductive and riskless manner other people’s money, was proven by James Buchanan [1], winner of the Nobel prize in 1986. Yet Pascal Salin does not give in to despair and offers convincing arguments that question the so-called “humanist” principle of progressive taxation, the immorality and harmfulness of taxing inheritances, the treacherous nature of taxation through inflation, the statist pretension of harmonizing society through high and very high taxes on capital and so on, all these meant to represent examples in order to understand “*Why has the state grown so big?*” [Salin, 16, p.242].

There is no shortage of books and articles written against the doctrinal orientation of Pascal Salin. On the contrary, socialists of different nuances, statist and interventionists of all colours, they all have filled the world’s libraries with demonstrations about the “civic blessing” that can be brought about through taxation. Out of all the aforementioned material, the book which I found representative and perfectly matched with “The Fiscal Tyranny”, is none other than Thomas Piketty’s *Capital* in the twenty-first century. It is infused with socialist, statist and interventionist essence, both at the

micro but especially at the macro level of analysis. Taking on the task of sketching the structure of a socialist state for the twenty-first century, Piketty identifies the solution in the form of progressive taxation policy imposed by a global government. On page 869 of his huge one-thousand-pages book, he admits that his vision would be “a useful utopia”, but one that is desirable and feasible. In stark contrast with Salin, Piketty sees in taxation the solution to “*determine the owners of capital to obtain the best possible performance*” [Piketty, 14, p.891]. For the first economist, taxation is theft and a destroyer of the incentives meant to stimulate production [Salin, 16, p.23]; the second one cannot conceive the harmony of the city and a generally good state of affairs without a maximal level of taxation (80% for big capital gains).

Which one of the two inspires the official policy of the states? Piketty is being lauded by Paul Krugman who writes on the cover of his work that this is „The book that will alter the way in which we perceive society and we think about economics”. In the same country where Piketty enjoys the glory brought about by his rise to fame as a world-class economist, Pascal Salin is labelled as an economist “gone astray”. His Mont Pelerin membership doesn’t mean much. On the 20th of May 2016, *Capital* in the twenty-first century had 3270 citations according to Google Academic, while “The Fiscal Tyranny” just one! The cohort of freedom designing politicians, specialised in social engineering at all levels of society, fallen head over heels in love with the omnipotent state, was eagerly waiting for a Piketty like figure to emerge. Meanwhile, the economic science delivered on time and *en fanfare*, and the brass band was, quite literally, Nobel material. When will the time also come for Pascal Salin?!

Conclusions

The Austrian School was consistently concerned with law making. But it was a law version of its own making, one whose alpha and omega elements of both the theoretical discourse and practical action were designed in accordance with the liberal ideals of free market economy, clearly determined private property rights and minimal, law controlled state.

The result of the analysis conducted on the data set provided by the last century shows us that chances are slim for the theoretical tenets of the Austrian School to fully inspire economic policy. It would be far too beautiful to have governments run by the followers of Menger, Mises or Hayek. All that's left is for us to want them. Why? The Austrian School refused and is refusing still opportunism, hastiness and improvisation. In other words, it doesn't say what the politicians wish to hear. Positioning itself as a counter force, it serves as a political censor. It does not directly inspire politics but it keeps it in check. Enjoying a broad presence, its message, even though it is not needed, it is at least heard.

By refusing its generous offer, economic policy chooses short term gains over long term advantages. The recurring nature of economic crises is just one example. Always swimming against the political current, the Austrian School carries on only in the form of pure science. For the healthy nature of economic thought, this is an invaluable achievement. It has the value of an ideal that one can aspire towards, even though, at the moment, the twists and turns of economic policy are deceiving. Not being harnessed to the cart of official policy, the Austrian School has and will continue to have, the status of landmark and solid judging criterion of the economy.

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Războiul Rece actual, lumea germană și românii

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Abstract. *The launch of the Cold War by the Russian President Vladimir Putin resulted in strategic geo-economic and geopolitical changes that directly affect the evolution and development of The Great Powers, including the European Union and its member countries, as well as the future of the Republic of Moldova as a formally independent state. In the current article, we will refer to Germany and Austria as the "German world", while Romania and the Republic of Moldova will be referred to as the "Romanian world".*

Keywords: *Cold War, political economy, militarization, informational war, propaganda, NATO, Eurasian Economic Union.*

Pornind de la faptul că politică și economia sunt două surori de cruce, vom face referință la economia politică a evenimentelor contemporane. După Cel de-al Doilea Război Mondial și Războiul Rece dintre defuncta Uniune Sovietică și SUA, apăruseră niște premise reale pentru Europa și întreaga lume de a intra în era păcii și a progresului. Germanii se împăcaseră cu francezii, Uniunea Europeană evolua și își extindea spațiul, ba chiar se crease un "rând" al mai multor țări excomuniste care doreau să adere la această comunitate. Se părea că și Federația Rusă, imediat după dezmembrarea imperiului sovietic, pornise pe calea democrației și a reformelor economice profunde. Însă, odată cu venirea lui Vladimir Putin la putere, situația, treptat, a început să se modifice, iar în al doilea mandat al acestui demnitar, Rusia a început să se înarneze de parcă cineva dorea s-o ocupe. Și dacă în toate fostele republici sovietice, cu un anumit specific în cele din Asia, au intervenit schimbări, acestea pornind pe calea democrației

și a economiei de piață, apoi în Federația Rusă, precum afirmă istoricul rus Leonid S. Vasiliev (mai 2016) „создать нечто новое у нас не получилось” [1]. Nu a ieșit nimic din mai multe motive. În opinia noastră, "imperiul răului" – URSS, deși s-a dezmembrat în 1991, nu a dispărut. Federația Rusă devenise succesoarea imperiului, nu succesoare a unei țări cu tradiții democratice și economie de piață, dar a unui mamut imperial agresiv și expansionist. Or, din punct de vedere istoric, rușii s-au dezvoltat în comun, fără proprietate privată, fiind conduși ba de feudali, ba de țari, ba de către comuniști. În felul acesta, mentalitatea rusului, timp de secole, s-a format precum afirmă același Leonid Vasiliev, „на ставке древнеримского принципа – хлеба, зрелищ и на имперские успехи: знай наших!”. Totuși această teză nu corespunde întocmai cu realitatea rușilor, deoarece Imperiul Roman a fost un imperiu civilizată, pe când cel rusesc a avut o altă temelie – Hoarda de Aur a tătarilor și a mongolilor. Totodată, în Imperiul Roman exista deosebire între mentalitatea populației și cea a legionarilor, pe când în Rusia, mentalitatea armatei și cea a populației ruse per ansamblu constă într-o supunere oarbă liderului, care pentru ei a fost și este Dumnezeu și care trebuie să-i asigure cu resursele necesare pentru existență. Populația rusă este gata oricând să se înroleze în armata expansionistă, iar cele mai mari sărbători naționale sunt dedicate victoriilor militare. Actualmente, cea mai mare sărbătoare națională, religioasă și politică se referă la victoria rușilor în Războiul din anii 1941-1945, fiind mai ceva decât sărbătoarea Paștelui, iar "panglica Sfântului Gheorghe" – mai ceva decât crucea creștină. Se pare că această matrice socială nu corespunde unei civilizații, ci unui păgânism, iar cei ce afirmă că e o „civilizație deosebită, rusească”, o fac

pentru a-i menține pe ruși izolați și solidari într-o ură față de cei ce progresează. Considerăm că venirea lui Vladimir Putin la conducerea Federației Ruse nu este întâmplătoare, ci reiese din tulpina istorică a acestui popor. Nu este întâmplătoare nici declanșarea de către Rusia a războiului rece actual, care între timp s-a transformat în unul "fierbinte" – expansiunea militară asupra Ucrainei. Războiul Rece actual este mai periculos decât de acela care a avut loc între URSS și SUA în secolul XX. Acest fapt este confirmat chiar de către oamenii de știință și specialiștii din diverse domenii ale Federației Ruse. Vom menționa doar unii autori și publicații din a. 2016 care sunt relevante în opinia noastră: academicianul Alexei Arbatov – „*Россия и Гонка Вооружения*”; doctorul în filosofie Alecsandr Țipco – „*О предателях подлинных и мнимых*”, „*И снова мания грандиоза*”; Irina Glebova – „*Проблема – 2016: война или мир*”; candidatul în științe chimice Serghei Smirnov – „*Возрождение империи*”; doctorul în jurisprudență Serghei Țupleaev – „*Жизнь по эскизам национальной идеи*”; doctorul în istorie Alexei Kiva – „*Прошли ли мы точку невозврата?*”; doctorul în filosofie Serghei Nicoliskii – „*Возможна ли перестройка-2*”.

Războiul Rece actual a demarat atunci când V. Putin a declanșat reînarmarea, demonstrarea forței militare, militarizarea economiei și a mentalității societății, însă, în opinia noastră, acest război a fost declarat oficial de către ex-președintele D. Medvedev în noiembrie 2011, la întoarcerea din Honolulu, unde președintele SUA Barack Obama, a dat undă verde Rusiei pentru a deveni membră a Organizației Mondiale a Comerțului, după ce Moscova a stat la coadă mai mult de 18 ani pentru a adera. Atunci dl D. Medvedev s-a adresat poporului, constatând că dușmanul Federației Ruse este SUA. Ulterior, V. Putin a ocupat postul prezidențial în locul lui D. Medvedev și a purces la pregătirea invaziei Crimeei și a destabilizării situației politice din regiunea Donbas a Ucrainei.

Concomitent, Moscova a declanșat și un război informațional bine organizat și gestionat contra SUA, , dar și contra Ucrainei, care a dorit să adere la UE și NATO, pretinzând, de fapt, că Statele Unite ar fi început acest război. Odată cu anexarea Crimeei și începerea acțiunilor militare în Sud-Estul Ucrainei, propaganda rusă a promovat ideea formării unei zone noi

„*NovoRossia*”, ce trebuia să includă Estul Ucrainei și regiunile maritime de la Marea Neagră, inclusiv regiunea Odesa și sudul Basarabiei. În felul acesta, formarea URSS-2 trebuia să permită Rusiei să iasă la gurile Dunării și să restabilească frontiera de la Prut în modul în care aceasta a fost stabilită abuziv în urma ocupației Basarabiei și a nordului Bucovinei de către sovietici în a. 1940. Paralel cu aceste acțiuni, Kremlinul a declanșat în mass-media acaparată politic, dezinformarea opiniei publice naționale și internaționale cu privire la începutul dezmembrării UE, atrăgând de partea sa politicieni sus-puși din Grecia, Cipru, Ungaria și chiar din Italia. Drept urmare, Occidentul a răspuns cu sancțiuni economico-financiare și protejarea țărilor baltice, a Poloniei, României și Bulgariei. Federația Rusă, la rândul său, a răspuns cu sancțiuni comerciale și majorarea multiplă a cheltuielilor pentru reînarmare. A început militarizarea regiunilor polare ale Rusiei și formarea de baze militare rusești peste hotarele țării.

Academicianul A. Arbatov constată că această goană accelerată de reînarmare este de sorginte ofensivă. Ea a ignorat politica de nerăspândire a armelor atomice, fapt care a condus la apariția mai multor țări ce s-au încadrat în producerea acestor arme. Printre acestea ar putea fi Coreea de Sud, Japonia și chiar țări cu mult mai mici precum Armenia. Acest război rece și reînarmarea Rusiei au determinat și sporirea cheltuielilor militare ale țărilor membre NATO, ele angajându-se să ridice ponderea acestora în bugetele naționale la 2% anual, deși cifra este de 2-3 ori mai mică decât în cazul Rusiei. De asemenea, s-a decis crearea a două baze de apărare cu rachete în România și Polonia, precum și formarea unei flote a flancului sudic NATO în Marea Neagră. Toate aceste acțiuni și procese sunt atât de periculoase încât academicianul Alexei Arbatov, membru al Consiliului pentru problemele politicii externe și securitate, constată în publicația deja menționată: „*Существующие мировые проблемы, включая миграцию, климат, экономические кризисы, этнические и религиозные конфликты, так или иначе раньше или позже можно решить, если удастся предотвратить ядерную катастрофу. А если не удастся – заниматься этими проблемами будет некому*” [2].

Din ceea ce s-a constatat până în prezent, reiese că președintele V. Putin este un politician periculos, care suferă de multiple maladii sociale precum cea de declanșare a războaielor, inclusive cu folosirea bombei atomice, dar și de boala expansionismului manifestată prin cucerirea altor popoare și teritorii. În plus, el a contaminat cu aceste "boli" și o mare parte a poporului rus. Dovadă este procentajul foarte înalt de susținere a acestei politici de către populație, în pofida nivelului scăzut de trai și a creșterii impozitelor, reducerii cheltuielilor bugetare pentru sănătate, învățământ și educație. Ultimele date sociologice arată că circa 25% dintre ruși sunt de acord cu utilizarea forței termonucleare contra "inamicului", numărul acestora sporind, atunci când Vladimir Putin, după constatarea despre anexarea Crimeii, a mulțumit militarilor, spunând că Rusia a fost pregătită să aplice în caz de necesitate și această forță distrugătoare. Totodată campania de înfricoșare a opiniei publice europene și mondiale este susținută de biserică, dar și de către unii intelectuali. De exemplu, specialistul în domeniul culturii cinematografice Caren Șahnazarov, a declarat că ar trebui de lansat o rachetă cu bombă atomică asupra Istanbulului, în legătură cu doborârea de către aviația turcă a avionului rusesc.

Cât despre biserică, istoria e și mai vastă. Încă patriarhul Alexei al II-lea, apoi patriarhul Kiril al Bisericii Ortodoxe Ruse au stabilit teritoriul „Lumii Ortodoxe Ruse”, care nu este altceva decât teritoriul politic și național al Federației Ruse. Aceștia, în fond, au marcat teritoriile ce trebuie ocupate – fostele republici în care, după dezmembrarea URSS în 1991, a rămas populație de etnie rusă – implicit, formarea „URSS-2” prin diverse metode, dar și cu arma. Protoireul Vsevolod Ceaplin, fostul șef al Departamentului de relații externe al Bisericii Ortodoxe Ruse, încă în anul 2006 a lansat lozincă politică „*считать губительным оборонное сознание*”, ca apoi, în toamna anului 2015, să susțină o agresiune militară fără precedent, după cum urmează: „*Еще раз война – это всегда плохо, но лучше войны, чем сытая самоуспокоенность, лучше страдания, чем горделивая самоуверенность. Лучше война, чем несправедливый мир*”[3]. Această propagandă deschisă antiumană și anticreștină, se utilizează pe larg și în R. Moldova. De exemplu, un oarecare Sedov Evghenii, în articolul „*Viitorul*

Europei se află în mâinile lui Dumnezeu”, înșiră pe hârtie, în fond, o foaie volantă:

„(...) fluxul actual necontrolat al migranților în Europa a început să le reamintească oamenilor de situația de la sfârșitul secolului IV – începutul secolului VI, când sute de mii de barbari au invadat imperiul Roman, destrămându-l în bucăți. Acea epocă a fost numită chiar „Marea migrațiune a popoarelor”. Și mulți au început să-și facă griji: oare mișcarea actuală a popoarelor din Orientul Mijlociu nu va duce la prăbușirea Uniunii Europene?”

Și în continuare, conform profețiilor: „Dar în vremea acestor împărați, adică în zilele Europei moderne, Dumnezeu cerurilor va ridica o împărăție (citește a Rusiei – nota autorului), care nu va fi nimicită niciodată și care nu va trece sub stăpânirea altui popor. Ea va sfârâma și va nimici toate acele împărății, și ea însăși va dăinui veșnic” (Daniel 2:44). Această foaie volantă a fost răspândită într-un tiraj de 20 mii de exemplare în Republica Moldova [4].

Nu trebuie să fii mare specialist, doar cărturar istoric și politic, ca să-ți dai seama că reprezentații Bisericii Ortodoxe ruse vorbesc despre aceeași nimicire a neamurilor, chiar cu bomba atomică rusească, numai pentru a forma al „cincilea” imperiu rus. Dar omul de rând necărturar crede în toată propaganda „imperului nou”, atunci când i se spune despre Biblie, Dumnezeu, apostoli și sfinți. Și acest fapt explică de ce un procent considerabil din populația Republicii Moldova crede în așa-numita „Uniune Euroasiatică”, care, deși formată, deja se dezmembrează, iar pentru țările-membre ce nu vor să se supună dictatului lui V. Putin, se utilizează războaie economice, presiune, ură și pedeapsă.

Cât despre dispariția Uniunii Europene, această idee este promovată încă din timpul formării Comunității Statelor Independente (CSI). Propaganda politico-religioasă a Kremlinului față de UE urmărește două repere strategice: slăbirea acestei comunități, dar și izolarea Europei de Statele Unite ale Americii. Din păcate, unii politicieni ai țărilor membre UE se „prind în undița rusească”. Însă Europa, în ansamblu, tot mai mult înțelege că ea nu va face față invaziei islamului fără susținerea SUA. Evenimentele din martie 2015 și până în prezent le arată europenilor că Rusia agresivă reprezintă un pericol serios, pericol ce poate fi depășit

numai cu susținerea SUA. Prin aceasta se explică, probabil, și decizia Bruxelles-ului de a se alătura propunerii americane de formare a unei piețe comune UE-SUA, dar și continuarea sancțiunilor economico-financiare și militare contra Rusiei. Aceste sancțiuni au stopat nițel, dar nu definitiv, ambițiile lui V. Putin, slăbind, în schimb, considerabil puterea economică a Federației Ruse.

Dacă comparăm puterea economică a Rusiei cu cea a SUA în 2013, PIB-ul SUA a constituit 16,7 trilioane de dolari, fiind de 8,8 ori mai mare decât cel al Rusiei. În anul 2016 conform datelor Băncii Mondiale, PIB-ul american va constitui deja 18,7 trilioane dolari, fiind de 19 ori mai mare decât cel al Federației Ruse. E o diferență imensă. Dacă mai ținem cont și de faptul că PIB-ul Rusiei e determinat, în mare măsură, de prețul resurselor energetice, atunci rămânerea în urmă a Federației Ruse față de SUA este catastrofală. Și iată că în aceste circumstanțe președintele Rusiei V. Putin, a început ca pe timpul sovietic goana înarmării. Unii experți sunt de părere că Rusia nu va putea face față acestei goane și se va opri. Opinia noastră este că Rusia poate să continue goana înarmării chiar și atunci când prețul petrolului va ajunge la 35 sau chiar 25 de dolari barilul și asta deoarece costurile extragerii și transportării unui baril de petrol în Rusia, variază între 10 și 30 de dolari conform datelor fostului ministru rus pentru resursele energetice Iurie Șafrannic (a. 2015). Apoi, mai trebuie să ținem cont și de faptul că datoria externă a Federației Ruse este relativ mică, iar rezervele valutare naționale depășesc cifra de 380 miliarde dolari (luna mai 2016). În plus, Ministerul de Finanțe al Rusiei, în luna mai 2016, a sondat piața mondială a hârtiilor de valoare, ieșind pe această piață cu 1,8 miliarde obligațiuni de stat, cu o dobândă anuală de 5%. La această ofertă, piața a răspuns cu o cerere a firmelor europene și americane în valoare de circa 8 miliarde de dolari, ceea ce le-a dat încredere specialiștilor ruși că aceasta poate fi o cale importantă de obținere a resurselor financiare.

În opinia noastră totul depinde de viitorul președinte al Rusiei. Dacă va fi V. Putin sau o altă persoană gen D. Medvedev sau S. Ivanov, Rusia va continua aceeași politică expansionistă pe plan extern. Or, actualmente, ierarhia puterii în Federația Rusă, atât pe verticală, cât și la nivel regional, este constituită

din reprezentanții FSB (succesorul KGB) și ai armatei, iar mentalitatea rușilor de rând se încadrează, în mare parte, într-o matrice socială dură care derivă din dorința „*хоть один раз ударить по морде американцам*”, după spusele multor experți ruși. Cu astfel de dominantă, putem să ne așteptăm, precum afirmă academicianul Alexei Arbatov că Rusia va călca pe „aceeași greblă” pe care a călcat și URSS în perioada lui Leonid Brejnev, când circa 50% din venitul național era destinat înarmării, inclusiv producției de noi rachete balistice și formării celei mai puternice flote de submarine sofisticate și foarte costisitoare, numite submarinele „Delta”, care puteau să funcționeze neîntrerupt sub gheață, până la 6 luni.

În războiul rece actual declanșat de către V. Putin și anturajul lui politic, militar și religios, Federația Rusă abuzează și de tragedia poporului sirian, care de mai mulți ani se află într-un război intern de autonimicire, război ce a contribuit la declanșarea unei migrații a milioane de oameni din așa-numita Lume a treia către Europa. Se pare că printre migranți sunt foarte mulți tineri antrenați fizic, ce sunt infiltrați de către extremiștii așa-numitului stat islamic. Odată pătrunși în Europa, ei sunt în așteptarea ordinelor de acțiune în vederea destabilizării și slăbirii Uniunii Europene. Printre primii politicieni care au făcut astfel de declarații în acest sens a fost premierul ungar Viktor Orban.

Totodată, agravarea relațiilor dintre Turcia și Rusia în legătură cu doborârea de către aviația turcă a avionului militar rusesc trezește bănuiele că V. Putin a decis intenționat să-l sacrifice pe aviatorul rus în vederea închiderii frontierei cu Turcia pentru ca migranții să nu mai pătrundă prin această țară în Federația Rusă. Astfel, datorită acestui sacrificiu, V. Putin a rezolvat concomitent două probleme: și-a închis frontiera pentru imigranți și, totodată, a învinuit Turcia de agresiune. Istoria a demonstrat nu o singură dată această tactică a politicienilor ruși, fie din imperiului țarist, fie din cel sovietic. În plus, experții ruși au dat de înțeles că Germania și Austria trebuie să răspundă de evenimentele de pe urma migrațiilor. În acest mod, politicienii ruși au obținut două succese în centrul Europei: au contribuit la orientarea fluxurilor migratorii către lumea germană, care constituie nucleul UE, slăbind în același timp aceste țări și Uniunea Europeană per ansamblu. Și în al doilea rând, au

reușit să convingă oamenii de afaceri germani să nu părăsească Rusia. Astfel, tot mai mulți politicieni și oameni de afaceri din Lumea germană declară că sunt împotriva sancțiunilor contra Moscovei și doresc afaceri economico-comerciale cu Federația Rusă, chiar dacă au apărut și poziții diametral opuse, precum cea a Ministrului Apărării al Germaniei [5]. Însă aceste păreri au cam întârziat: numai în a. 2015, în Germania, au intrat circa un milion de migranți și nu doar din Siria. Concomitent, în Germania s-au activizat forțele de extremă dreapta, dar și spiritul naționalismului. Reacțiile din Austria sunt și ele previzibile, fapt demonstrat de rezultatele alegerii președintelui țării din luna mai 2016.

Cât privește poziția și situația românilor, România se situează foarte diferit sub aspect politic și economic față de Republica Moldova. România este în UE și sub umbrela de securitate NATO, și deci este cert că va fi protejată. Între timp R. Moldova a devenit tot mai vulnerabilă datorită loviturilor politice de la „Palat” ce au avut loc în a. 2015, furtului de miliarde, a vulnerabilității sistemului financiar-bancar, spălării a zeci de miliarde de dolari pentru băncile și oligarhii ruși. Totodată, ideea aderării la UE a fost transformată într-un *brand* politic speculativ, au sporit prețurile și sărăcia populației, Occidentul refuzând să acorde finanțare precum anterior, până în a. 2013. Republica Moldova s-a transformat treptat într-un stat oligarhic care nu este în stare să asigure populația cu locuri de muncă și un trai decent. Acest fapt determină convingerea oamenilor că statul lor e pe cale de dispariție. Mai mult, unii europarlamentari, dar și lideri UE, au ajuns la concluzia că, pentru a adera la UE, R. Moldova are nevoie de cel puțin 40 de ani, adică de timpul unei generații. Sub aspectul strategiei Republicii Moldova de aderare la UE, este semnificativ

Forumul Economic cu genericul „Moldova în noul context regional”, care a avut loc la Chișinău în luna mai 2016. Una din concluziile acestui forum a fost că R. Moldova trebuie să devină un spațiu de conexiune dintre Est și Vest, idee promovată anterior în perioada anilor 2001-2009 de regimul comuniștilor. Reiese că după atâtea vorbe și declarații din perioada anilor 2010-2015, Republica Moldova s-a întors la poziția anului 2001. Însă, astăzi, în 2016, situația geopolitică din sud-estul Europei e cu totul alta, e foarte periculoasă, deoarece s-a declanșat războiul rece care treptat se transformă într-un război „fierbinte” de expansiune militară a Federației Ruse în Ucraina. Este posibil că această expansiune a Rusiei nu se va opri la Ucraina.

Din cele menționate despre perspectiva geopolitică a războiului rece și despre Republica Moldova reiese că această țară mică devine o „zonă tampon” între UE și spațiul actual de interese al Federației Ruse. Acest fapt ar putea prevesti dispariția Republicii Moldova, despre care, în fond, se vorbește și se scrie de mult timp. În această postură de „zonă tampon” pericolul dispariției populației băștinașe – a românilor (moldovenilor) devine unul real. Depășirea acestui pericol poate avea loc numai în condițiile reunirii celor șase județe ale Basarabiei (R. Moldova) cu Țara-Mamă (România), precum și cu condiția promovării de către Occident (SUA, UE, NATO) a politicii de schimb de teritorii între România împreună cu R. Moldova, de o parte, și Ucraina – de altă parte, urmând ca regiunea stângă a Nistrului să treacă la Ucraina, iar toată Basarabia și nordul Bucovinei – la România, cum a fost până în a. 1940. În acest sens, considerăm că Occidentul trebuie doar să insiste și să condiționeze prin acest schimb de teritorii aderarea Ucrainei la UE și, eventual, la NATO.

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The welfare state in the realities of the twenty-first century: general trends and specifics of Republic of Moldova

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Abstract. *Modern society is currently facing some serious challenges, environmental changes, changes in priorities and development opportunities that require a theoretical rethinking of the social mission of the state and drive the search for effective methods of implementing this mission given the national specificities.*

The state SOCIALISATION is a perspective direction of reforming the governmental system of the Republic of Moldova. The increasing role of the social state is extremely important in the context of the current realities: the high distrust towards a state that expresses the interests of the oligarchic structures, pessimism about the future, the colossal stratification of the society, poor living conditions of a large part of the population and mass migration.

Keywords: *social state, a welfare state, social policy, crisis, living standard, government system reform.*

Under the conditions of increased instability and unpredictability of the modern world, the failure in the mechanism of self-regulation of the social systems becomes apparent, according to the scientific studies, including the theory of catastrophes, as well as the experiences of various world countries. An efficient state regulation of the socio-economic processes is a mandatory condition for overcoming the crisis conditions, “closing” of the undesirable bifurcations and accelerating the rehabilitation of the socio-economic system.

Effective development policies of the modern states can be created based on their “mission”. Along with the general trends, it is important to consider country's specific development features, including the legal institutions under the conditions of transition. In the context of the “transition” management, the following aspects of statism are of special interest: priorities of the modern state; civilized market relations between the state and the business environment; the social responsibility of the state; public policy instruments and adjustment methods.

In the view of the multifaceted and changeable (in time and space) activities of the state, the concept of *statehood* is historically “given”. The evolution of the theoretical views on state's mission has developed in accordance with the society dialectics and its purpose. The following characteristics of the state were popular in different historical periods:

- “night watchman” that protects private property and maintains public order (Classical Liberalist School);
- “absolute” controller of all business processes, monopolising all the available resources and the public produce (Marxism);
- stabilising force, able to correct the lack of balance in the market system by manipulating the aggregate demand through policies (Keynesianism);
- referee, defining the “game rules” and the players’ (economic agents) compliance with them (Ordoliberalism);
- institute, whose activities are determined by the “market failures” [1].

In the framework of the institutionalist mainstream, the following approach received a wide recognition: the state is examined from the perspective of its “specific exchange” with the population. Thus, the state is behaving similarly to a “contracted” organization, to which, citizens delegate some of their rights in order to efficiently solve a number of problems. *“Politics is a structure of complex exchange among individuals, a structure within which persons seek to secure collectively their own privately defined objectives that cannot be efficiently secured through simple market exchanges. In the absence of individual interest, there is no interest. In the market, individuals exchange apples for oranges; in politics, individuals exchange agreed-on shares in contributions toward the costs of that which is commonly desired, from the services of the local fire station to that of the judge”* [2].

In the middle of the 20th century in Western Europe, the concept of the *social state* emerged. Under different versions, the *welfare state* is legalised in the constitutions of many countries. This concept reflected the society's disappointment with the liberal theory and became the revival ideology of the of post-war society. However, the term “welfare state” was proposed much earlier, in the 50's of 19th century, by L. von Stein, who believed that the welfare state *“is required to contribute to the economic and social progress of all its citizens, since, ultimately, the development of the former represents the prerequisite for the development of the latter.”* [3].

Thanks to the research works of the leading representatives of the German economic and sociological thought from the second quarter of the 20th century (the newest school of the liberalist mainstream – the “Freiburg School”) the theory of the welfare state was subjected to further development and received its economic grounding – the “social market economy”. According to the author of this concept – Alfred Müller-Armack, the main goal of the state authorities is the establishment of a triangle between economic growth, personal freedoms and social equilibrium, covering the entire range of social services, from the provision of full employment to individual social assistance [4]. The new order is meant to the rely

on the “competitive market system” and a special social policy should align and correct the operation of the market. The social policy of the state is subjected to the principle of social compensation, including the progressive taxation of people with high income and the redistribution of these funds to the poorer layers of the society, the development of a broad system of social insurance and of the social infrastructure.

The concept of a socially oriented economy, aiming at freedom and justice, ensuring well-being for everyone, has been successfully implemented by the German Chancellor Ludwig Erhard, the founder of the “German economic miracle”. According to L. Erhard, the key elements of the hierarchically-ordered social system with a high level of citizen welfare are: a genuine market economy, a structure of the society in which all layers of the population have a mass purchasing power; state's obligation to ensure that all workers have permanent wage increases in line with the increase in productivity; the development of a social partnership between businesses and their employees, overcoming of the hostility between the rich and the poor by assuring everyone's prosperity and social protection. The efficient reformation of the Federal Republic of Germany in a fairly short period of time made it possible to overcome the crisis, achieve political and economic stability, implement the social security system and attain a high level of welfare.

The formation of a state that would be able to provide a decent standard of living for its citizens, in different forms and with different degrees of success, on the basis of a socially oriented market economy, democracy and the rule of law, was actively carried out in many countries in the post-war period. The principles of government's social security policy were confirmed in such authoritative international documents as the Universal Declaration of Human Rights, European Social Charter and The European Code of Social Security.

With all the varieties of national welfare states, without going into the intricacies of their classification, there were identified 3 basic

types, which differ in the size of social benefits, the right to receive them, sources of financing.

- *Anglo-Saxon type* (Anglo-American), based on the principles of neo-liberalism. This approach assumes that the social needs of the individual/family are more successfully satisfied with the purchase of necessary services in the market. The state performs a minimal role in the field of welfare, ensures the legality and protects the most vulnerable layers of the population. This type of state is characterised by a low level of social security provided by the state, minimal state obligations – at the level of an individual’s living wage, strong stratification of the society; governmental regulation of the markets. This type of state also represents a model of “social assistance”, in the view of the low decommodification effect (off-market security).
- *German type* (Franco-German), based on a conservative-corporatist approach. It is called *conservative* because the social services support the traditional social and family values and *corporatist* because it involves cooperation with the private sector and the independent public organisations. This type of state is characterised by a focus on economic and social stability; high decommodification (off-market security); pronounced stratification of society; massive and financially secured middle class; state intervention through the direct provision of financial support and the regulation of the markets. The state where social services depend directly on the actions and efforts made in the market is also considered to be a model of “compulsory social security”.
- *Swedish type* (Scandinavian), reflecting the social-democratic approach. The characteristics of this type are high decommodification, weak stratification of the society; government intervention in the form of direct financial support, significant redistribution of the income through progressive taxation system. The social expenses of the state are higher by comparison to the German model, and especially, compared to the Anglo-Saxon one. This model is characterised by an egalitarian

regime, ideas of equality and solidarity, a high level of quality of and accessibility to the social services. Therefore, this model is known as a “solidarity model”.

Of course, the mentioned “triad” of types of welfare state reflects a fairly conventional distinction. In reality, the social policy of any state is unique and original, combining elements of different models and being a reflection of the state’s development priorities, its economic potential and its population’s needs.

The welfare states were also affected by the challenges of the 20th and 21st centuries. In a context characterised by the intensification of the integration and globalisation processes, worsening of the environmental and demographic problems, the emergence of the information and communication systems and an increase in the role of the human capital, the government’s duties become considerably more difficult to perform.

At the *international level*, these duties reside in assuring the protection of national interests (assuring national security and increasing country’s competitiveness, optimising the degree of “openness” of the economy), while at the *national level* they reside in improving the coordination mechanism of the socio-economic development (by involving market, corporate and international levers), assuring a sustainable development of the society, enhancing population’s quality of life.

In the modern theory and practice of state regulation, the focus is placed on the qualitative parameters of the functioning of state bodies corresponding to the nature of a strong and efficient state, instead of the traditional quantitative issues. Herewith, country’s power is lawfully examined from the perspective of:

- the effectiveness of the system of enforcement and administration;
- the precise outline of its institutional boundaries (functions, values, relationships with non-governmental institutions).

The making of a strong state is only possible in the presence of several premises: the consolidation of the branches of power in the

interests of country's security and development; the achievement of a social consensus and of a constructive partnership with non-governmental institutions; the introduction of a rational system of centralized management that would contribute to the efficient use of resources and the increase in population's living standards.

Under conditions of a deteriorating economy, even the most prosperous countries find it difficult to provide decent social protection and to maintain a high standard of living. The question of the need to dismantle the welfare state and to reduce its responsibilities is often raised in this context. In addition to the establishment of a "consumerist society" many people manifest such negative symptoms as the reduction of motivation, the pursuit the social dependency. Unrestrained mass consumption, in accordance with the standards established in developed countries, leads to a rapid depletion of the world's resources and to environment's pollution. The crisis of 2007-2009 has clearly demonstrated the "no-go" of the model of social development based on wasteful consumption.

The current critical situation forces one to rethink the nature and mechanism of the government intervention, including its intervention in solving social problems. In the previous decades, the social policy carried out in the framework of the welfare state, traditionally covered the healthcare and educational systems as well as the provision of housing and of social insurance. In the modern society, the range of problems related to the application of the social policy has expanded, with the addition issues related to the areas of demography, family, social mobility, migration, public order, and environment.

Moreover, in the view of the "imperative of competitiveness", the governmental policy should aim to create favourable conditions for citizens from the perspective of the growth in national competitiveness.

In recent years, due to the expansion of welfare problems themselves and the need to reduce the social obligations of the state, the interest in the activities of civil institutions of self-organization becomes more pronounced. This third sector is increasingly activated as a

state partner in the implementation of social policy programs. We would like to note that this sector covers the totality of the non-profit organisations functioning in the country, whose development is supported mainly through charitable donations. In different countries, these organisations are known as *public, non-governmental* or *non-profit, charitable, voluntary*. Their work contributes to increasing people's personal responsibility for the quality of life and to citizens' active participation in the implementation of social services. In many countries, civil society organisations are successfully engaged in the works of the local government, educational and medical systems, provide social support and protection, social rehabilitation and a range of consulting services.

In transitioning societies, the *state*, being the generator and coordinator of the transformations and undergoing its own modification, inevitably acquires a dual role being both the *subject* and *the object* of the reforms.

In the field of social coordination, the main object of government regulation is represented by the formal institutions as well as the structures and the organisations regulating the behaviour of the social subjects. In developing of the latter, the main difficulty resides in finding a "compromise solution" that would assure a social equilibrium based on an equilibrium of interests.

During a quarter of a century of sovereignty, Moldova's transformation into a democratic and lawful state capable of assuring a high level of social protection to its citizens, unfortunately, did not take place. As a result of the seizure of power and property by several groups of individuals, the Republic of Moldova has been subjected to the establishment of a "clan capitalism". The system of governmental power represents an oligarchic regime – this is the recent conclusion of the authoritative EU representatives.

In fact, Moldova's politics has become a business for the oligarchs who have cynically become rich at the expense of their fellow citizens. The slogan of "European Integration" used by the state powers, represents, in fact, a

speculative mantra that masks the grim reality: many years of political conflicts, systemic corruption, stealing of foreign aid and credits worth millions, low standard of living. In fact, the country is experiencing a protracted systemic crisis, which caused serious shortcomings in the process of market reforms, the weakness of state institutions (courts, prosecutors, law enforcement authorities), the dominance of oligarchic interests.

The National economy is “stalling”. The country’s GDP has not even reached the pre-transition level while both the internal and external national debts are increasing. The “theft of the century” - the extraction through offshore companies of a billion dollars (12% of Moldovan GDP!) from the country’s banking system has generated a financial collapse: a growing “hole” in the state’s budget, an unprecedented devaluation of the national currency, a further deepening of the recession.

The total debt of the Republic of Moldova in terms of state securities has already exceeded the maximum acceptable level almost 1.5 times, reaching 106% of the GDP in 2016. Comparing the total debt of Moldova by the end of May 2016 with the same period of 2015, one can notice that it has grown by 18.6%, amounting to MDL 35.6 billion [5].

The population of the country is bound to pay the repercussions of the bank fraud that has been used to enrich certain individuals and their companies, for many years. The state has already issued bonds in the amount of more than MDL 13.57 billion, with an interest rate of 5% per annum for a period of 25 years. In fact, the main burden for the return of stolen assets will fall on taxpayers and the general public. The World Bank makes the most depressing forecasts for Moldova expecting a further decline in the living standards and the growth of poverty. Today Moldova holds the last position in the ranking of European countries in terms of life quality. Population poverty is far beyond limits.

Therefore, a radical reformation of the system of power aiming to achieve state’s genuine sovereignty, national security and economic revival is a matter of great urgency. Only a non-corrupt government would be capable of stopping the genocide of Moldova’s population and to fully carry out its functions as well as to constructively collaborate with both the private sector and the non-governmental organisations in order to address the stringent social issues.

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On „Fatal Conceit” or the pretence of knowledge in Thomas Piketty’s *Capital in the 21st Century*

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Abstract: *The authors provide a critical review of the main argument presented in the book “Capital in the 21st Century” by Thomas Piketty stating that modern economies need to build a legitimate and efficient public power in order to fight inequality and poverty. In this article, we attempt to prove that this book ignores a set of significant developments brought to the economic theory such as the contributions of the Austrian School (Mises and Hayek) and the School of Public Choice (Kenneth Arrow, James Buchanan, Gordon Tullock). Therefore, there is a huge difference between treating people equally and struggling to make them equal. State constructivism based on single models that are imposed as a general rule is another form of state servitude and at the same time the state’s fatal conceit (Hayek, 2016b). It claims, in the name of false science, that it can say what is the general interest and how we may efficiently act to attain it. Also, the state is not a cold calculating machine but is made of people facing the same temptations and mistakes as common people, more exactly, it is neither almighty nor benevolent. Then why would we need more involvement from the state?*

Keywords: *Piketty, state, inequality, imperfect knowledge.*

1. Introduction

Appealing, at first sight, full of interesting information and data spread over time and space, Piketty’s study at first seems to be a good source of information and a literature review for economists, historians and sociologists. Additionally, it is written in a clear and pleasant language that does not fall into the conventional mainstream of hermetic and mathematical style but is more philosophical, making the book accessible to the general public. The book is popular among readers who are sensitive to arguments based on figures. However, they might easily become victims of persuasion due to the lack of knowledge in fundamental theory.

In an essay *Measured, Unmeasured, Mismeasured, and Unjustified Pessimism* written in 2014 on Thomas Piketty’s book *Capital in the 21st century*, Deirdre McCloskey stated at the end: “*It is a brave book. But it is wrong.*” Intrigued by Piketty’s work and also by the already mentioned essay, we started this review from a contradiction that will be presented in the pages that follow.

2. Contradiction

Starting from the first page, Piketty prepares his readers for a journey into the history of economic thought making references to Marx and Keynes, in which the state plays the main role „*There are nevertheless ways democracy can regain control over capitalism and ensure that the general interest takes precedence over private interests*” [p.14]. In a direct way, this can be achieved by “*building a legitimate and efficient public power*” [p. 128]. Especially since “*statism did no harm*” [p. 171] and “*the conventional doctrine of non-interference and non-involvement and non-intervention of public authority into economic life ... has been completely discredited*” [p. 228]. In other words, statism is good. The state, seen by the author as the universal panacea for reducing inequality and fighting poverty, has to be empowered with effective regulation of the banking system and international financial flows. A tax on capital would “*promote the general interest over private interests while preserving economic openness and the forces of competition*” [p.780].

One could understand that the current capitalist system based on liberal principles of minimal regulation and a less burdensome tax system might need a significant revaluation following the lines mentioned by regulation and taxation. Piketty views progressive taxation as the solution for this ideal social state until it reaches the optimal level of the higher rate, which in *“developed countries should exceed 80%”* [p. 864]. But, it is not so, since, in his view, *„in terms of its fiscal and budgetary share ..., public power never played such an important role as in the last decades. No declining trend has been noticed contrary to what is often stated”* [p. 789]. The huge leap of the state between 1930 and 1980 has already occurred and is actually translated into *„compulsory taxation that accounts today for more than half of the national income in almost all European states”* [pp.789-790]. So, why would we need more state if there is no *„return of the state”* [p. 783] as the huge leap has already occurred?

3. A few arguments against Piketty’s fundamental argument

Firstly, the author does not mention what consequences would this level of taxation have on the size of the public sector and in terms of the inevitable increase in regulation and bureaucracy. The author shows even less interest towards the efficiency of this oversized state. The literature of the last 60 years has never stopped providing arguments to support the idea of state’s inefficiency in managing resources and reaching goals mainly due to its incapacity of making decisions in accordance with a more complex society.

Starting with Adam Smith and up to Friedrich Hayek, economists argued that the *open market* is the most efficient system of socio-economic coordination; it is the only mechanism that can systematically receive and respond to feedback from millions of consumers and producers. If the government could coordinate the economic activity in a simple world, it would not have all the necessary information making prompt decisions in a complex world at its disposal. Taking into account the chimaera of utility and social need, the state might see some field as being more important, even more, strategic and it might neglect the other sectors. It might neglect technical progress and

innovation in some fields to favour the fields that it sees as being more useful. The state might also support weaker businesses and thus create inequality on the market through discriminatory measures, stimulating one area to the detriment of another and ultimately creating monopolies instead of limiting the ones already created by the market. Regulation errors that were made not necessarily out of bad intentions might generate new regulations in a chain process. In a more and more complex system, this might result in the annihilation of the competition. The on-going regulation process that is self-sustaining will inevitably create inequality among individuals. Larger administrative structures would not be able to monitor the entire economic life and new mechanisms of control would be required until all governmental structures are turned into an instrument aimed to favour one category over another.

Secondly, the philosophy on which such an idea is based is that of social constructivism. Turning to this philosophical tradition, economists may borrow rigorous structures and formulate ideals for transforming the reality and reconstructing it based on precise theoretical models. Political decision-makers act out of the desire to allocate resources efficiently and to be able to correct the economic disequilibrium and transform the entire society using a perfect formula. Social consensus and harmony reached through a centralised decision-making mechanism and not on a voluntary basis could certainly be viewed as utopia since unanimity in an area of common interest is rare, if not impossible. For instance, some people believe that 1\$ should be allocated to education, some other – to defence and the third category – to pensions depending on their interests, experience and personal values. The classical authors of the economic science proved that voluntary behaviour of individuals during peaceful times based on individual interest may lead society towards prosperity and wealth even if their interests are divergent. What interests are we talking about when it comes to public policy and actions? Do we mean the interests of a poor citizen who needs a subsidy for his rent or welfare benefit for his 8 children or the interests of a rich citizen who does not want to pay additional tax to meet the goals of the welfare

state as these do not affect him directly or the interests of a politician who does not care which political coalition he joins as long as he stays in power? How is consensus achieved on issues representing the general interest?

Most of us believe without thinking too much about it that the state acts in the public interest. Yet, what is this public interest? How can we define and measure it? Subjectivity is the main characteristic of a human choice. Each of us values one thing over another depending on our immediate interest, beliefs and values, education, age and experience, the influence of the group we belong to. The difficulty of choosing one social program over the other lies in the fact that the terms *correct* or *ethical* are vague and individuals have different opinions on what is wrong or right. Single people or families made of two employed individuals might think that they get very little back from the state through the system of social benefits, while a family composed of one employed individual and a housewife might believe that it is fair to be given benefits from the state (Baciu et al., 2014, p. 60).

Assuming that political decision-makers are well-intentioned and correctly informed on people's preferences, would they still be able to make the best decisions considering these preferences? Is it fair to assume that you can make a general summary by reducing all preferences to a single goal and the means to reach it? In other words, do you own perfect knowledge? Is it not an *infatuation* to pretend you do it in the name of the common interest? Kenneth Arrow, a Noble Prize Winner in Economics (1972), demonstrated in his book *Social Choice and Individual Values* (1951) that any social outcome is *imposed* or *dictatorial* because it is impossible to satisfy all individual preferences since interpersonal comparisons among tastes of individuals are impossible to achieve. Starting from Arrow's impossibility theorem, the representatives of the *public choice* theory demonstrated that the institution of the majority vote, on which social constructivism is based, causes the justification of a state that is preferred just by a minority. For example, a third of the voters support a politician because they favour a specific trade policy he wants to implement (Baciu et al., 2014, p. 83). Another

third does not like his trade policy but appreciate his educational or health policy. So, this politician may win by capturing two-thirds of the votes even if the majority of voters oppose his trade policy. This is why not all political victories reflect the will of the majority (Weimer&Vining, 2004, pp. 200-201). In terms of legislation, this leads to the idea that not all public actions are justified by voters' consensus or unanimity or even by the majority vote. This phenomenon occurs especially in the case of extremely heterogeneous societies where there is a significant difference among their members. The general costs of the decision-making process are lower in homogenous collectivities in comparison to heterogeneous ones in which there is no basic consensus regarding fundamental values (Buchanan & Tullock, 2010, p. 156).

Thirdly, the author suggests that the goal of this ideal social state should be the reduction of inequality by means of applying a "*global and progressive tax on capital*" (p. 780). "*Progressive taxes always a relatively liberal method for inequality reduction ...*" (p. 847) "*...the optimal level of the superior rate in developed countries should be higher than 80%*" (p. 864). According to Piketty, even though the amounts already allocated in America or Europe are not small, social benefits amount to 25% and 35% of GDP and "*...the development of the fiscal state in the last century mainly matches the setup of the social state*" (pp. 794-795). "*Modern redistribution is built around a logic of rights and a principle of equal access to a specific amount of goods viewed as fundamental*" (p.795). Piketty refers to the Declaration of Independence of the USA adopted in 1776 on the equality in rights of individuals and also to John Rawls and Armatya Sen, who talk about "*maximal and equal opportunities for all*" (p. 798).

The author once again ignores economic theory stating that progressive taxation is unfair for some businesses. If in the name of social usefulness, we may assume that an additional dollar brings more happiness to the poor than unhappiness to the rich after losing it, this type of reasoning is wrong because we cannot make interpersonal comparisons due to the subjectivity of the individual views. A policy based on such a reasoning is impossible to put

into practice without a value judgment on the relative wellbeing of the individuals without violating the fundamental rights of one of the categories. History showed us how the equalisation of satisfaction, income and of other opportunities went hand in hand with state despotism, brainwash, tax evasion, capital drain, corruption and distortion of justice. So, even if Piketty states that public utility is less important than the „notion of *rule of law*” which seems more operational, economic theory provides sound analysis of differences in perception regarding what people view as *fair* and *unfair*, *correct* and *wrong*. Even if the representatives of the welfare theory accept the loss in efficiency in the favour of gains in equality, one cannot estimate the long-term loss in terms of innovation, technical progress, productivity, as well as its indirect effects.

Unless individuals are paid based on their effort, need or using a subjective reasoning related to social justice – higher the taxation, more reduced is the appetite for work and the efficiency of the working individuals. Moreover, it is known that if the unemployment allowance is high, the desire to seek employment decreases. *“Forcing in an illiberal way the French style of equality of outcome, cutting down the tall poppies, envying the silly baubles of the rich, imagining that sharing income is as efficacious for the good of the poor as are equal shares in a pizza, treating poor people as sad children to be nudged or compelled by the experts of the clerisy, we have found, has often had a high cost in damaging liberty and slowing betterment”* (McCloskey, p. 45). This occurs due to the fact that the rich are no longer motivated to develop products, employ additional workforce and the poor are not motivated to do anything in order to overcome their condition. The only way to increase the pie we want is to guarantee those who make it that they can enjoy it! So, equal opportunities before the law are acceptable in the name of individual rights and freedom and not in that of the outcome. *To have* and *to be* are interchangeable notions with respect to individuals, *what we have* being intrinsic to *who we are*. If the goods of individuals can affect the essence of their being, then the control over these goods is the control over their being. If people were so happy to give up their property

and inheritance and were glad to share their goods with the others, the socialist dream would have become a reality without the need for any violence (Baciu *et al*, 2014, p. 65).

Fourthly, social generosity and politics are not free. The European social state is founded on suffocating taxes, oversized administration, abusive bureaucracy and regulation, corruption, political favouritism and governmental waste. If we view the state only as a dehumanised calculating machine, then perhaps in a specific context, starting from a set of data and information on the preferences of individuals, this machine would be able to take an optimal decision. But the state is by far not an impersonal machine. Moral hazard, lack of impartiality, corruption and bureaucracy are very real phenomena among real people. Piketty does not mention what the efficiency of the existing social state is but he nevertheless argues for increasing the taxation up to 70-80% by 2050-2060 (p.800). The author warns about the organisational difficulties of an oversized state and mentions such European states as France, Italy, Germany or Sweden with public spending exceeding 50% of the GDP, for which the debates over the social state in the next decades will be focused on *„organisation, modernization and consolidation”* (p.803). The representatives of *Public Choice Theory* (Kenneth Arrow, James Buchanan, Gordon Tullock), ignored by Piketty, teach us that people who represent the state are not guided by the public interest but by the private one. The great political exchange starts where its representatives, elected by means of electoral mechanisms, implement only those goals that ensure their re-election. The individual both in private and public sectors is driven by the rationale of higher expected benefit than the anticipated cost. In the case of the elected politicians, the *interest to be re-elected* prevails since this would increase their chances to participate in more cycles of “pie sharing”. The *rent seeking* behaviour of politicians is very real and costly. It creates opportunities for transferring wealth from one group to another depending on the political coalition (Baciu *et al*, 2014, pp.84-85). Public intervention is not a free good, decisions on economic policy are made by officials and bureaucracy is costly. The implementation of

policies is often inefficient as the government is not able to control the institutions in charge with their implementation. Bureaucrats are more interested in consolidating their position, which offers them material and non-material privileges, rather than in public welfare or well-done work. This personal gain, irrespective of its nature, places a burden on the public administration budget and any reforms inside it become slow or even impossible to implement. The implementation of policies pleasing voters is possible only after the bureaucrats have reached their goals and it requires high public spending. The fact that this one-thousand-page book that has the pretence of being almost an *encyclopaedia* forgot to mention James Buchanan – the Nobel Prize Winner for Economics in 1986, as well the outcomes of the Public Choice Theory is not just an omission (Henri Lepage, 2016, p. 97).

Finally, who and how could impose a “*global and progressive tax on capital*” (p. 780)? Who would control the controllers? The regulation and the created institutions for such a tax would just create conditions to move the legal property to the illegal zone. Corruption is the daughter of regulation (Salin, 2013, p.326). Large whale protection is an example of failed international regulation. Why could poaching not be stopped? Due to ocean’s vastness, the oversight of the way in which regulations are implemented is almost impossible; the cost for overseers is higher than for poachers. Private benefits are higher; the more appealing is the recourse on the market. As long as there is demand, private actors will be interested in exploiting resources to enhance their benefits. Similarly, if wealth and capital could be taxed up to 80%, legal entrepreneurship will be transformed into illegal or political (fiscal, monetary) one. The sanctioning of entrepreneurial opportunities may become a serious obstacle for economic development. The capital does not exist in itself, it is formed through the accumulation of profit due to entrepreneurial skills to innovate and transform challenges into opportunities, to continuously improve the methods of production. Thomas Edison, Henry Ford and Steve Jobs are just a few examples of innovative entrepreneurs that we

tremendously benefit from. Known under the name of product democratisation, this phenomenon means that even the poor of the 20th century afford bulbs, TV sets, telephones and even cars. A similar situation may be noticed in the reduction of inequalities in life expectancy, education, recreation and entertainment (Jean-Phillipe Delsol, 2016, p. 37). Globally, the inequality has been significantly reduced by reducing the number of poor people. A study published in 2014 by the experts of the World Bank showed that the number of Latin Americans living on less than four dollars a day dropped to 40% in 2000 and below 30% in 2010 (*Ibidem*, p. 39). Specialisation, innovation and creativity and other entrepreneurial skills are the sources of wealth. To punish them by abusive taxation would lead to an *increase* in social inequality and not to its decrease.

Final Remarks

Hayek – another great omission of Piketty, also the Noble Prize Winner for Economics in 1974, teaches us that: “*where there is no private property, there is no justice; what cannot be known, cannot be planned; the state that takes the stand of an expert of unique models of behaviour or treatment in search of equality imposes on us a new and invincible form of servitude in the name of poorly understood concept of social justice; that the only mechanism that produces and distributes wealth in the most and efficient moral way is the market. Only the market shows us what is our contribution to the global flow of goods and services and it also should influence the remuneration or the remuneration we are entitled to.*” (Hayek, 2016b, p. 127). People condemn capitalism and its main attributes (free market, capital, even money, profit, competition, private property and contract) without even understanding that it represents the very thing to which we owe our comforts of life and even civilisation. Under competitive market economy, the poor receive more than in a centralised system just because the adverse effect of *social justice* prevents individuals from making full use of their work and the efficient use of resources becomes possible (Hayek, 2016a, p. 69).

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Decentralisation and economic growth: evidence from developing countries

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Abstract. *This article is organised into three major logical parts. The first part (subsections Fiscal Federalism and Decentralization: Origins and Essence and Public Administration and Political Science Views on Decentralization) discusses the origins of the fiscal federalism framework and the decentralisation process. This review of fiscal federalism's origins is necessary in order to establish a system of reference for analysis of decentralisation typology and process, which is the second part of this chapter (Major Elements of Decentralization and its Taxonomy). The second part of this chapter also identifies major components of the decentralisation process per se through a review of existing literature in the field. It concludes with the formulation of the first research question of this article: How can the decentralisation process properly be measured and assessed? The third and concluding part of this article (Decentralisation and Economic Growth: Summary of the Current Literature and Theories of Economic Growth) is devoted to a review of the existing literature on the relationship between a nation's degree of decentralisation and its economic performance. This section concludes with the formulation of the second research question of this article: Does fiscal decentralisation cause economic growth or is it a consequence of economic growth? The article concludes with a review of existing economic growth models.*

Keywords: *decentralisation, economic performance, fiscal federalism, measuring decentralisation, models of economic growth.*

Introduction

The concept of decentralisation itself is not new. Even though it has been in focus of practitioners and scholars alike for a better part of the last century, it still suffers from multiple shortages in terms of theory, measurement, and empirical observations.

There are multiple purposes for this manuscript. Its first and most obvious aim is to provide an overview of the original theoretical concepts of fiscal federalism and place the decentralisation process in that system. The term *decentralisation* is used somewhat loosely here, and it incorporates such variables as political decentralisation, economic decentralisation, and regulatory (or administrative) decentralisation. The second purpose of this article is to identify major elements of decentralisation that would allow researchers to measure, analyse, interpret, and compare levels of decentralisation among different countries. This task itself represents a major challenge because previous researchers "have multiplied the conceptualizations of decentralisation; associated the various concepts with different meanings; imbued it with positive normative value; conflated it with other concepts; and ignored its multidimensionality" (Morozov, 2016; p. 2). The last, but not the least, a purpose of this essay is to provide an overview of the literature¹ on the relationship between decentralisation and economic performance. The existing literature on decentralisation and economic growth is extensive, but still inconclusive. It is not yet clear whether decentralisation facilitates economic growth or obstructs it.

1. Fiscal Federalism and Decentralization: Origins and Essence

The concept of *Decentralization* (quite often referred to as *Fiscal Decentralisation* (FD)) has been part of a worldwide "reform" agenda since the last part of the 20th century. The inclusion of the FD concept in the reform agenda was supported by the World Bank, USAID, the Asian Development Bank, and many others; and

relationship with economic growth and other concepts.

¹ This overview is not intended to be exhaustive; See Morozov (2008, 2009, 2016) for the exhaustive review of the literature on decentralisation and its

it has become an integral part of economic development and governance strategies in developing and transitional economies (Bahl, 1999; Arzaghi & Henderson, 2005). According to a 1994 World Bank study, 63 of the world's 75 developing and transitional countries with populations over five million were involved in the transfer of some political power to local government units (Dillinger, cited in Kingsley). According to Diamond (1999, pp 120–121), this "wave of political decentralisation throughout the world since the 1970s has been induced by a variety of pressures, including poor governmental performance, urbanisation, democratic transition, shifts in international donor strategies, and societal demands." Although the wave was somewhat global, "*many of these initiatives often seem to rest more on faith than on strong conceptual foundations or careful analysis*" (Hutchcroft, 2001, pp 23-24).

Any discussion of *decentralisation* first requires a formal definition. Given the complex nature of the concept as well as theoretical discussions of it, it would be appropriate to define fiscal decentralisation as *the transfer by the central government to sub-national governments (states, regions, municipalities) of specific functions with the administrative authority and revenue to perform those functions.*

This definition captures the multitude and complexity of the concept under discussion through a combination of elements from (1) economics (public revenues and expenditures management), (2) public administration (management of public institutions), and (3) political science (relationships between different levels of government).

Traditionally, the economic aspect of decentralisation is analysed through the framework of fiscal federalism. At this point, it is important to distinguish between the concepts of *decentralisation* and *fiscal federalism*. While fiscal federalism is a framework for the analysis of a nation's public sector, decentralisation is a *process of public sector activities' assignment to different levels of government*. Thus, fiscal federalism is the system of reference within which the process of decentralisation or centralization occurs.

The original framework for fiscal federalism can be traced back to Richard Musgrave (1959). Economist Musgrave's framework is generally accepted for the analysis of federalism because his contribution was one of the first generally feasible explanations of the processes. The list of contributors to the field was later expanded to include such scholars as Oates (1971), Bahl (1994), Buchanan & Brennan (1980), Bird (1995, 1998), McNab (1997, 2005), Matinez-Vazquez (1997), and others.

Musgrave addressed issues of fiscal federalism from a traditional economic perspective. The framework for analysis was based on values of Pareto efficiency and equity as well as on three major economic functions of the public sector in an economy: (1) wealth redistribution, (2) macroeconomic stabilisation, and (3) resource allocation (Musgrave, 1959, 1961; Oates, 1977).

The wealth distribution function involves the role of government in changing the distribution of income, wealth, or other indicators of economic well-being to make them more equitable than would otherwise be the case. Simply put, the wealth re-distribution function is directed at the equity aspect, according to which citizens should contribute to the provision of public goods/services according to their ability to pay (also known as *vertical equity*) while people with comparable incomes should be treated comparably (also known as *horizontal equity*). The case for assigning this function to the national government rests on two assumptions: (1) the national government's broad taxing powers can more easily redistribute income; and (2) the ability of taxpayers to move from one jurisdiction to another to take advantage of more attractive spending and taxation policies weakens local government's ability to "*soak the rich and redistribute to the poor*" (Oates, 1993, p. 17) The case for subnational redistributive policies rests on the fact that sub-national governments provide the services most used by low-income families. However, most economists view the national role as primary.

The macro-stabilization function involves the role of tax and spending policies and

monetary policy in managing the overall level of economic activity. It is widely agreed that this macroeconomic function should be assigned to the national government. This suggests that the national government must have a broad-based tax suitable for this role. It is important to note that Oates in his analysis of 58 countries (1993) demonstrated a positive relationship between economic growth and fiscal decentralisation—suggesting some role for local governments in the spending side of the macro-stabilization function, especially in infrastructure development.

The allocation function is government's role in deciding the mix of public and private goods that are provided by the economy or by the government. Each level of government may be more efficient in delivering certain governmental goods and services. The superiority of the national government in delivering national defence or national health research is obvious as is the likelihood that certain services such as fire and police protection are more suitable for local government. In attempting to match local revenues and expenditures in the allocation process, economists are concerned about efficiency, vertical imbalances (mismatches between revenues and expenditures), horizontal equity (fiscal capacity among regions), externalities (spillovers), and tax exportation. Additional public management concerns have to do with both the overlapping of the taxes and the roles and the responsiveness of and accountability for service delivery.

The fiscal federalism framework is most helpful when thinking about which taxes are levied at each level of government, the total taxing authority of each level, and service provision responsibility at each level of government. A commonly cited public finance principle for a well-designed decentralisation process is "finance should follow function" (Bahl, 1999, p. 6). This principle is a restatement of the tax assignment problem that was formulated by Musgrave (1983): "*Who should tax, where, and what.*" Although there seems to be little certainty in taxation issues, the answer to Musgrave's question has been well settled, at least in theory. That answer was restated by Oates (1996, p. 36):

(1) Lower levels of government... should, as much as possible, rely on benefit taxation of mobile economic units, including households and mobile factors of production. (2) To the extent that non-benefit taxes need to be employed on mobile economic units, perhaps for redistributive purposes, this should be done at higher levels of government. (3) To the extent that local governments make use of non-benefit taxes, they should employ them on tax bases that are relatively immobile across local jurisdictions.

Similar recommendations emerge from most discussions of the tax assignment concept.

One would be correct in noticing that the discussion of tax assignment follows the previously described framework of analysis in terms of public sector functions in the economy. Such concerns as the maintenance of "integrated economic space" (Ter-Minassian, 1997), "national redistributive equity" (Musgrave, 1983), and administrative economies of tax administration (Vehorn and Ahmad, 1997) have to be balanced against the "principle of fiscal equivalence" (Olson, 1969) that results (at least theoretically) in higher levels of fiscal responsibility (Ter-Minassian, 1997). As Ter-Minassian (1997) summarised the conventional argument by developing Oates' hypothesis: "the best candidates" for sub-national taxes are levies that are (1) on relatively immobile bases, (2) where the base is relatively evenly distributed, and (3) where yields are likely to be stable.

In terms of fiscal federalism this means that if certain expenditure roles are assigned to a level of government, that level must have the resources to meet those responsibilities. Taxes are the main source of "own-source" revenue for governments at all levels. If tax collections or fiscal capacity falls short of expenditure responsibilities, then that level of government must have additional taxing authority, develop user fees, or rely on intergovernmental transfers (such as grants and shared taxes) to support its expenditures. Thus, according to the theory of federalism, the central government should have the basic responsibility for (1) wealth redistribution in the form of assistance to the poor and for (2) the macroeconomic stabilisation function.

In the case of both functions, the basic argument stems from some fundamental constraints on lower level governments. In the absence of monetary and exchange-rate prerogatives and with highly open economies that cannot contain much of the expansionary impact of fiscal stimuli, provincial, state, and local governments simply have very limited means for traditional macroeconomic control of their economies. Similarly, the mobility of economic units can seriously constrain attempts to redistribute income. An aggressive local program for the support of low-income households, for example, may induce an influx of the poor and encourage an exodus of those with higher incomes who must bear the tax burden. Such aggressive pro-poor support in one jurisdiction essentially violates the principle of horizontal equality which is essential in the development of a proper fiscal federalist structure (Bahl, 1999). In addition to these functions, the central government must provide certain "national" public goods (like national defence) that provide services to the entire population of the country. Thus, briefly summarised, the doctrine of fiscal decentralisation lays out the argument according to which central government should be responsible for two (redistribution and macroeconomic stabilisation) out of three functions of the public sector. The third function (resource allocation) should be executed by both sub-national and national governments. The term "sub-national governments" is used here somewhat freely to identify and denote governments below the central one, including state, regional and local governments.

The main argument behind delegation of the allocation function to sub-national governments springs from manuscripts by Tiebout, Buchanan, Brennan, Oates, and others. The basic assumptions of that model could be explained as interplay among the fields of economics (definition of public goods), political science (citizen voting), and public administration (satisfaction of public needs through the public provision of goods and services). Tiebout, in his famous *A Pure Theory of Local Expenditures* (1956), theorised on the

topic of government size growth, provision of public services, and optimal provision of public goods. Basically, the argument is that to care about growth and solve poverty issues, one should be concerned with efficiency—supplying services up to the point at which, at the margin, the welfare benefit to society matches its cost. In the private sector, the market-price system is the mechanism. When the market fails in this objective, there is a case for the public commandeering of resources to supply the activity. Once the public sector gets involved, the efficiency logic is in favour of some form of fiscal decentralisation. The argument is that geographic considerations make local governments necessary mechanisms for setting up a system of budgets that best approximates the efficient solution of equating benefits and costs. This leads to the decentralisation theorem (Koethenbueger, 2008): The governments closest to the citizens can adjust budgets (costs) to local preferences in a manner that best leads to the delivery of a bundle of public services that is responsive to community preferences.

The logic behind the decentralisation theorem stems from the heterogeneity of any society. Different geographic locations will have different local needs and necessities. Such diversity will result in the provision of different bundles of public goods. Such diversity would define the geographic division of the population into clubs of citizens with somewhat homogeneous tastes and preferences. Therefore, no ballots would have to be cast as citizens' true preferences would be revealed through the silent *voting-with-the-feet* of individuals exiting and entering communities according to their satisfaction/dissatisfaction with a specific bundle of public services provided in specific "club." Such a "voting" arrangement was initially noted by Tiebout (1956).

At this point, it is important to discuss conditions that ensure global optimality of excludable public goods' provision because these conditions spring from both the *Club* and *Leviathan* theories as well as from contributions like Oates' *Fiscal Federalism* and others²:

² This list of assumptions is drawn from my reading of Tiebout (1956), Buchanan and Wagner (1970),

Buchanan and Goetz (1972), McGuire (1972), Oates (1972), and Pesticau (1977).

- Full mobility of all citizens;
- Full knowledge of the characteristics of all communities (clubs);
- Existence of communities that would exhaustively satisfy existing citizens' preferences;
- Absence of externalities across communities;
- Absence of economies of scale in public services/goods provision;
- Absence of horizontal inequalities among citizens of different communities.

Clearly, these assumptions are very restrictive. Although the restrictiveness of these assumptions has been long criticised, the internal conflicts among them have only been superficially discussed. The most obvious conflict occurs between the assumption of full citizen mobility and the absence of externalities. These assumptions are mutually exclusive in a society that consists of heterogeneous elements. The general logic here is that citizens of certain qualifications represent potential externality through their simple existence. Thus, the externality occurs the moment these citizens leave one community for another. Empirical evidence of such externality is easily observed in trends and effects of international migration on both receiving and sending countries. Generally, migration has a negative effect on "origin" countries since more educated citizens tend to move to better-developed countries. The resulting "brain drain" further facilitates the decline of "origin" communities. Such out-migration and its consequences violate the assumption of horizontal equality among communities in one state. Such drastic differences are easily observed in developing economies like FSU and Central and Eastern Europe (CEE) countries. The comparison of horizontal imbalances is appropriate since it can be done on the basis of regional per capita GDP, amounts of inter-governmental transfers, and population education (years of) in respective regions. For example, Moldovan local governments are obliged by law to share their revenues with the central government in such a way that part of these revenues is kept locally while the remaining portion belongs to the

central government budget. The percentage of shared revenues is annually defined in budget law. Generally, shared revenues are the cash flows from corporate income tax, personal income tax, and charges from road exploitations. The specific feature of this regulation is that the minimum percentage of shared revenues to be kept by respective local governments should not be less than 50%. In fact, given the economic reality of Moldova, the only local governments that share their revenues with the central government are the municipalities of Chisinau (the capital city) and Balti (the second largest city). All other territorial units keep all their revenues from "taxes on business activity" (Morozov, 2009).

The next assumption of fiscal federalism is that of lack of informational asymmetry. This issue has been the topic of scientific discussion by Niskanen, Khan, Bartle, and others. Lack of information asymmetry implies that the citizenry has the same information as representatives of local authorities. Empirical evidence documented by Niskanen, Khan, and Bartle suggests that in some cases this assumption is unwarranted because of issues of moral hazard, adverse selection, and conflict of interest. Discussion of these issues is a topic for a stand-alone research, and it is far beyond the purpose of this article.

The most criticised of the above-mentioned assumptions is the one about voters' mobility. It would be reasonable to assume that voters move for reasons other than community taxation aspects. The main point of the argument is that citizens follow the income and do not run away from taxes. This is a reasonable assumption if one accepts the adage that "in this world nothing is certain but death and taxes" (attributed to B. Franklin). Thus, citizens should be concerned primarily with making more money, and only secondarily with minimising their tax burden.

An important consequence of federalism for decentralisation comes from Samuelson's *The Pure Theory of Public Expenditures* (1959). Samuelson theorised that, given the economic nature of public goods (non-excludability of consumption and jointness of supply) and political-geographic reality (citizenry in a

jurisdiction and fixed geographic boundaries of that jurisdiction), a public non-market decision needs to be used to reveal citizens' true preferences and to achieve Pareto efficiency. However, many goods are "quasi" public goods. This characteristic of these goods explains the inapplicability of exclusion from consumption criteria used for the definition of truly public goods. Thus, the citizenry can react ("vote") to a specific bundle of quasi-public goods/services provided in a specific jurisdiction not only through voting *per se* but also through leaving communities that provide unacceptable quasi-public services.

The implication of such an expression of preferences is important as it is citizens' expression of their satisfaction with publicly provided services in a specific community. The efficiency and adequacy of locally provided public services are ensured through citizen mobility, voting power, and competition among local governments. This argument is developed and supported by Oates (1972) through his assertion that under the assumption of absence of externalities and various preferences, local governments have an informational advantage over a central authority in the provision of public services, which results in a higher quality of services provided to the public.

In economic terms, the addition of sub-national levels of government results in better preference matching. Thus, a marginal benefit from publicly provided services for citizens equals citizens' marginal cost for the unit of services received. The implication of that argument is twofold. First, provision of public services at the level at which marginal costs equal marginal benefits results in an optimal allocation of public resources. Second, such efficiency in resource allocation processes implies that decisions about these processes should be transferred to the level of government that has the best available information regarding local preferences (Azis, 2008). However, it is important to note that simple assignment of responsibilities to sub-national governments does not address the entire issue of preference matching. The responsibility to provide a service is just one element in preference matching. Such responsibility should be matched by government-receiver's capacity to perform such

functions. What that means is that public function should be based on the economic source of revenue. In other words, decentralisation's success depends on (1) clear assignment of a function to a level of government and (2) a government's capacity to perform that function. This is nothing but a matching of sources of public revenues with objects of public expenditures. Or, as Bahl (1999) put it, "finance should follow the function." This consideration is crucial in developing a decentralisation system, and it will be discussed next.

Although revenue generating and spending are two separate governmental functions, they should be analysed simultaneously. Somewhat comparable to Niskanen's argument in his *Bureaucrats and Politicians*, Brennan and Buchanan (1980) modelled government as a monolithic entity, "Leviathan," that systematically seeks to maximise the total revenues that it extracts from the economy through the excessive tax-pricing of public goods and services it supplies. The government's ability to maximise revenue and hence expenditure, they argue, is limited only by constitutional constraints placed upon its actions. One such constraint would be the decentralisation of the national (central) government's taxing and spending powers, with sub-national units of government taxing and spending "independently" [Brennan and Buchanan (1980), 185].

Decentralisation of taxing and spending powers allows taxpayers to choose among "separate taxing-spending jurisdictions." Through the potential exercise of these options, taxpayers control the behaviour of revenue-maximizing governments along the lines of the Tiebout (1956) model. In a Tiebout-style world, any attempt by one jurisdiction to raise the tax price of local public goods and services it supplies will result in migration of its citizen-taxpayers to an alternative jurisdiction in the pursuit of fiscal gains. Inter-jurisdictional competition for mobile citizen-taxpayers and other economic resources negatively affects governments' excessive tax pricing powers; thus, it is conducive to a more cost-efficient provision of local public goods and services and, thereby, restrains the overall size of the public sector.

To further emphasise the inseparability of tax and expenditure decentralisation in their hypothesis, Brennan and Buchanan (1980) argued as follows: "*Possibility for collusion among separate governmental units must be included in 'other things equal'*" (p. 185). They predicted that, within the constitutionally decentralised fiscal structure, sub-national governments would try to avoid competitive pressures through colluding among themselves or with the national government. One obvious collusion would be an agreement between sub-national governments and the national government. Sub-national governments would yield taxing powers to the national government. The National government would establish a revenue-maximizing, uniform tax system across all jurisdictions. The tax revenues would be then shared among governments, with sub-national governments receiving their shares in the form of intergovernmental transfers (grants) according to Grossman (1989).

Revenue sharing, Brennan and Buchanan (1980) argue, subverts the primary purpose of fiscal decentralisation, which is to create competition between sub-national governments. It removes one major element of the competitive government process, i.e., tax competition, by establishing a uniform tax system across jurisdictions and encourages the expansion of the public sector through the concentration of taxing powers in the hands of the revenue-maximizing national government, evading the constraining influence of expenditure decentralisation. Each sub-national unit of government must have responsibility for raising its own revenue and should be precluded from entering into revenue-sharing agreements with the national or other sub-national units of government [Brennan and Buchanan (1980), p. 183]. The inseparability of revenue-raising and spending responsibilities at the sub-national level of government clearly requires the simultaneous assignment of the national government's taxing and spending powers to sub-national governments.

Thus, this leads to a normative conclusion that expenditure responsibilities at each level of government should be defined as clearly as possible to improve accountability and avoid duplication (Wrede, 2006). Local

governments should have sufficient revenues to meet their expenditures, doing so through a balanced combination of local taxes and grants from the higher-level government. This might sound simple, but finding the revenue-expenditure balance in practice is hard. In some cases, the national governments delegate expenditure responsibilities simply to unload expenditures, without providing the revenues to compensate. That gap then undermines local accountability because local governments can blame poor services on a shortage of funds, or it can make control of local spending difficult because local governments can easily excuse overspending and press for more grants and loans. If revenues exceed expenditures, local revenue collection efforts may decline. To deal with this problem, expenditure assignments should come first, followed by revenue assignments.

Decentralisation also requires taxing power at the local level to link benefits (services) and costs (taxes). Citizens who pay taxes directly to the local government are more likely to hold local politicians and bureaucrats accountable. Weak or nonexistent local taxing power thus weakens the voice chain from the client/citizen side and cuts incentives to strengthen the compact relationship. Dependence on national grants, meanwhile, weakens local revenue-generation efforts and can lead to fiscal mismanagement. Therefore, the piggybacking of local taxes on central taxes seems to provide both horizontal equalisation and incentives to local governments to collect their locally available revenues. This incentive to collect local revenue is based on empirical evidence in property tax collection in the US, where owners of private property are subjected to multiple compounding property tax rates (e.g. the public-school tax rate comes on top of the county tax rate that comes on top of the library tax rate, etc.).

The transfer of power to local governments makes them potential participants in financial markets. To avoid mismanagement and bankruptcy of public authorities, the central government needs to absolutely define sub-national borrowing so as to avoid issues of moral hazard and adverse selection. The national government should monitor local liabilities and

repayment capacities regularly and disclose the information. There should also be penalties for excessive borrowing. A common measure is to intercept national grants when local governments fail to meet repayments. Further, a bankruptcy rule is needed to enable delivery of services even if local government bankruptcy should occur. In the long term, it is also important to strengthen local revenue sources that can be pledged as collateral. In the absence of a strong local revenue base, lenders might be led to think that any sub-national borrowing would be backed by the national government (Litvack and Seddon 1999). This problem is generally regulated through separation of central and sub-national governments by means of the fact that central government would not bail out sub-national public authorities. However, the exploration of this aspect of decentralisation is beyond the purposes of this manuscript

The intermediate conclusion about the economic side of the decentralisation process is that even within the field of economics, the decentralisation process is not a simple phenomenon. Economically, decentralisation must be analysed through tax assignment (revenue sources for different levels of government) and responsibility assignment (the expenditure assignment). While revenues and expenditures are the major elements of a decentralised system, these revenues have to be balanced (hard budget constraint) so that sub-national governments are held responsible for their actions toward their constituents (citizenry and central government). It is also important to note that accountability issues and efficiency (in the Weberian meaning of the term) have not been—discussed in explicit detail within fiscal federalism as they are addressed in political science and public administration theories of the decentralisation process. This is exactly the purpose of the next subsection of the article.

2. Public Administration and Political Science Views on Decentralization

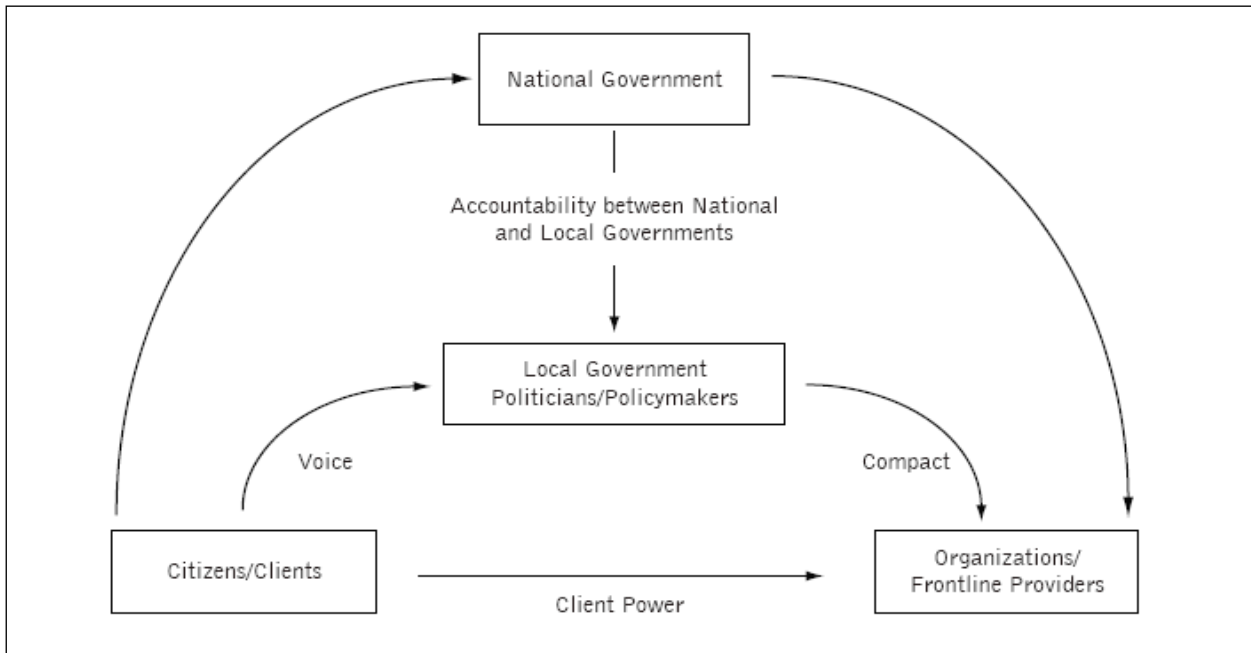
The last two aspects of decentralisation are political and administrative. Political science theories on decentralisation focus on "*mobilisation, organisation, articulation, participation, contestation, and aggregation of interests*" (Schneider, 2003, p. 35). All public sectors perform these processes. The major differences among these systems are context specific. The unifying characteristic of decentralised political systems are the facts that these systems include political actors and issues that are significant at the local level and that the same actors and issues are at least partially independent of their national-level counterparts. One of the existing models of decentralisation is the one developed by the World Bank (2003). The World Bank model assumes two levels of governments (central and sub-national) that are responsible to the citizenry for the provision of public services via public administration institutions:

- Politicians/policymakers who make decisions on quantities, finances, and modes of service delivery;
- Organisations/frontline providers such as ministries, departments, agencies, bureaus, and their frontline service providers; and
- Citizens/clients who are customers of public services.

These actors, as well as the linkages among them, are presented in Figure 1 (World Bank, 2003)

Several aspects of this model deserve specific attention. First, the relationships among actors represent nothing but "mobilization, organization, articulation, participation, contestation, and aggregation of interests" (Schneider, 2003) and preferences for a local mix of public services provided by bureaucracies, "which have been defined as efficient, effective, and rational" (Weber 1968: esp. 926-39, 956-89).

Figure 1: Accountability Chains in Decentralised Contexts (World Bank, 2003)



One can observe that the World Bank's service delivery triangle consists of two different routes: a long one (through central government) and a short one (through what the World Bank calls "local government"). These routes represent mechanisms through which citizens can hold governments (both elected officials and public administration practitioners) accountable for service delivery. Citizens/clients can give mandates to politicians/policymakers to design services to respond to their needs. If politicians/ policymakers cannot fulfil their mandates, this can result in an electoral or some other kind of political backlash (voice). In turn, politicians/policymakers exercise control over civil service management authorities to motivate organisations/frontline providers to serve for clients/citizens (compact). The combination of the voice and compact chains forms the long route of accountability. The short route connects citizens/clients and frontline providers (client power) through a direct accountability relationship. It works if citizens/clients are given a choice among service providers, creating competition. Their participation in service provision will also strengthen client power. Better services require accountability among the actors. Thus, all these

actors are linked through three types of accountability relationships:

- Voice, connecting citizens/clients to politicians/policymakers;
- Compact, connecting politicians/policymakers to organisations/frontline providers; and
- Client power, connecting citizens/clients to organisations/frontline providers.

Compared with centralised systems, decentralisation shortens accountability chains within a local government (Figure 2.1). The voice chain, which connects citizens with the national government under a centralised system, is replaced by a shorter chain with local politicians, which makes for easier monitoring and attribution of responsibility for changes in services. Likewise, the shorter compact chain connecting local politicians to service providers enables effective monitoring of services delivery, which can strengthen local accountability by shortening the voice and compact chains.

Thus, the World Bank's model illustrates that the *political and administrative aspect* of the decentralisation argument is essentially about the quality of governance and its apparatus.

Decentralisation places allocational decision-making closer to the people. This fosters greater responsiveness of local officials and greater accountability to citizens, at least theoretically, because it is expected that local decision makers are more knowledgeable about the problems and needs of their local area than are centralised decision makers. Further, to the extent that there is accountability through local elections, those elections are more likely driven by issues of local allocation, whereas national elections are seldom focused on local service delivery. In terms of public administration and political science, this means that the conventional justification for the government hierarchy in the fiscal federalism is based on asymmetry in policy tools or in information access that is available to different levels of government (Rubinchik-Pessach, 2005; Sandford, 2002). Given that asymmetry of available tools and resources, the addition of local (regional) governments to a one-tier central government can be strictly welfare improving (Rubinchik-Pessach, 2005). While the addition of a sub-national level of government may be welfare improving, it may also be, economically speaking, be inefficient (Prud'homme, 1995; Tanzi, 2008). This is because economic efficiency *may not* be the major local concern. Tanzi (2008) asserts that need for decentralisation "*arose from political (regional) demands for autonomy*" and not only economic efficiency. Thus, decentralisation is a long multi-step and multi-faceted process that affects various levels of government differently.

Diversity in public policy is a second governance argument for fiscal decentralisation. It is valued because it offers citizens a greater choice in public service and tax options when they are deciding where to reside (Tiebout, 1956). In addition, it helps to create "laboratories" for innovation and experimentation, which sometimes serve as models for later implementation by the central government or by example to other local governments. While there is no theoretical reason why a central government could not be

diverse in its solutions, there is great pressure on the central government towards uniform policies and procedures.

Further, fiscal decentralisation is thought to enhance political participation at the local level. This has the potential to enhance democratic values and political stability at the local level. It provides a forum for local debate about local priorities and can be a proving ground for future political leaders. For example, 3 out of the last 5 U.S.A. presidents had also been state governors.

Thus, the intermediate conclusion about political and administrative aspects of decentralisation is that a properly designed decentralisation system would allow the aggregation and the expression of local interests in such a way that sub-national authorities have to respond to these demands. Such a combination of factors theoretically results in improved social welfare (as expressed through citizens' satisfaction with their government). It is important to note, however, that such improvement may be economically inefficient. However, decentralisation is not just about economic efficiency. It is about the combination of economic efficiency, social values (the political component of decentralisation), and an effective apparatus for the achievement of societal goals based on social values.

Major Elements of Decentralisation and its Taxonomy

The complexity and intertwined nature of scientific fields involved in the definition of decentralisation partially explain the existing qualitative taxonomy of the concept under discussion. While decentralisation arrangements are very context specific and vary from country to country, there are several principles which characterise what is empirically considered a "*good*" decentralisation system. The components of a "good" decentralisation system were articulated by Bahl and Martinez-Vazquez (1999) and are summarised in Table 1:

Table 1.
Components of Fiscal Decentralization System by Bahl & Martinez-Vazquez

| Component | Desirable Feature |
|------------------------|--|
| Representation | Popular election of executive and legislative branches |
| Chief Officers | Locally Appointed |
| Budget | Local Approval, Hard Constraints |
| Expenditure Discretion | Significant local control over how money is spent |
| Revenue Discretion | Significant local control over structures & rates |
| Borrowing Power | Broad borrowing power, Hard Constraints |
| Transfers & Grants | Unconditional, Formula Driven |
| Civil Service | Local discretion over local HR decisions |

Not surprisingly, the authors of the previously mentioned table included criteria from all major fields that define the decentralisation process: public administration, political science, and economics. Thus, the existing taxonomy of decentralisation is based on previously mentioned criteria, and that taxonomy will be discussed next. Decentralisation is known to have various degrees. The most often cited aspects of decentralisation are:

- (a) political decentralization
- (b) administrative decentralization, and
- (c) economic (or *fiscal*) decentralization (Tanzi & others, 2008). Based on a review of the literature, the following taxonomy of the decentralisation process seems to be appropriate and exhaustive.

Political decentralisation occurs when political authority is transferred to local governments to give citizens and elected representatives decision-making power. In this context, political decentralisation means devolution of political authority of electoral capacities to sub-national actors. Typical examples are the "popular election of governors and mayors, (previously appointed by local councils or by central authorities), constitutional reforms that reinforce the political autonomy of sub-national governments, and electoral reforms designed to augment political competition at the local levels" (Tanzi & others, 2008).

Administrative decentralisation (sometimes referred in the literature to as *Regulatory Decentralization*) redistributes authority for planning, financing, and managing public functions among government levels. This type of decentralisation is sometimes loosely

titled "fiscal decentralisation" (Tanzi, 2008). Quite often administrative decentralisation is analysed through the degree of sub-national governments' autonomy. The most often cited taxonomy of administrative decentralisation is the one in which the process of decentralisation is characterised via three related practices: (1) devolution, (2) delegation, and (3) de-concentration (Rondinelli, 1990). These three different concepts describe the same process of authority transfer from central government to local authorities. The differences are in degrees of local governments' autonomy in a specific country.

The last type of decentralisation is *fiscal decentralisation per se*. This type of decentralisation involves the transfer of decision making regarding revenues and spending to sub-national governments. In other words, fiscal decentralisation means a shift of expenditure responsibilities to sub-national governments, financed by a combination of own and other sources of revenues, including intergovernmental transfers. The taxonomy of responsibility assignment may, in fact, significantly reduce the "effective autonomy" of the local governments. Likewise, without own-source revenue at the margin, the local governments may lack incentives for proper accountability because they might be able to leverage the federal government or pass on the consequences of their actions to other jurisdictions (see Ahmad & Brosio 2006; Ambrosiano & Bordignon 2006).

The previously described taxonomy of decentralisation allows for the development and identification of concepts from each field that contributes to the understanding of decentralisation process *per se*:

Table 2. Dimensions of the Decentralization Process

| Political Science | Public Administration | Economics |
|--|--|---|
| 1. A system that allows expression of local preferences | 1. Sub-national governments' autonomy from central governments | 1. Sources and sizes of sub-national revenues |
| 2. A system that allows <i>representation</i> of citizens' preferences. | 2. Accountability of sub-national governments both to central government and to citizens | 2. Objects of sub-national expenditures |
| 3. A system that allows transformation of local preferences in policy decisions. | 3. Efficiency of implementation of public policies | 3. Hard Budget Constraint. |

Source: Developed by the author based on Bahl (1999), Tanzi (2008), Oates (1972)

The preceding discussion of the decentralisation process effectively outlines three dimensions for analysis: economic decentralisation, administrative decentralisation, and political decentralisation. An important observation here is that these three dimensions of decentralisation are intertwined. Thus, more decentralisation along one dimension might influence decentralisation along another dimension. Thus, the important observation here is that the decentralisation process should be understood in terms of two distinct but interconnected types of processes. The first type is *intra-dimensional*, and it was previously described in terms of three different dimensions of decentralisation. The second type is related to the interrelations of the three dimensions. Thus, this group of processes is *inter-dimensional*

Fiscal Decentralisation and Economic Growth: Summary of the Current Literature.

Over the last 30 years, most developing countries have embarked on a path of building democratic societies that are based on principles of democracy and a free market. Such announcements have resulted in the commitment of transition countries' public authorities to some sort of decentralisation. Thus, such commitment has resulted in an increased interest in the phenomena of decentralisation *per se*. Studies of decentralisation have used a variety of approaches and methods. Previous efforts to analyse decentralization can be classified into three main categories: (1) research publications that theoretically describe the decentralization process and its essence; (2) analytical studies that interpret decentralization as an independent

variable; and, finally, (3) literature that treats a country's degree of fiscal decentralization as a dependent variable.

An alternative classification of the literature on fiscal decentralisation is according to its focus (Tanzi, 2008). Several manuscripts are dedicated to the analysis of decentralisation outcomes in various countries or provide international comparisons. The foremost drawback of these cross-country comparison studies is the limited availability of comparable data on multiple countries. This weakens the validity of the research. Multiple studies have been conducted using data from various sources like budgets and household surveys. Given the nature of household surveys, assessments of fiscal decentralisation based on this data source represent areas of potentially fruitful research. The existing body of literature on fiscal decentralisation can be broadly summarised in four different groups according to manuscripts' emphases¹: (a) literature on decentralisation and convergence of service delivery levels; (b) studies on preference matching and decentralisation; (c) literature on decentralisation and production efficiency; and (d) research on decentralization and economic growth. The primary focus in the literature is on decentralisation and economic growth. In addition to the analysis of selected articles, the most voluminous groups of literature will be organised into a table identifying each study's major elements, such as dependent and independent variables, decentralisation operationalizations, units of analysis, timeframes of analysis, and major results.

¹ Taxonomy is developed based on readings.

Economic Growth and Fiscal Decentralisation:

The specific feature of the exploration of fiscal decentralisation and economic growth is the scarcity of empirical data analysis. Such a paucity of research can be partially explained by the fact that most of the literature on fiscal decentralisation is influenced by public economics, which has not paid direct attention to economic growth (Martinez-Vazquez & McNab, 2001).

The origins of the literature linking decentralization to growth can be traced to Oates (1993), who argued that the gains from decentralization should also apply to a dynamic framework of economic growth because centrally determined policies do not adequately consider local conditions in the provision of public goods and services, such as those regarding infrastructure and education.

The potential positive impact of decentralisation on societal welfare and economic growth in particular was previously discussed in chapter 1 of this dissertation. The argument for the positive influence of decentralization consists of 4 different hypotheses: (1) the diversification hypothesis (aka decentralization theorem) (Oates, 1972, 1977); (2) the Leviathan (restraint) hypothesis (Brennan & Buchanan, 1980); (3) the productivity enhancement hypothesis (Vazquez & McNab, 2001); and (4) the political and administrative improvements hypothesis (e.g. improved accountability, decreased corruption, increased citizen participation) (Bird, 2001).

At the same time, it is important to note that there are several theoretical drawbacks associated with decentralisation. Potential drawbacks might stem from the following: (1) the reinforcement of regional disparities (Tanzi, 1995; Bahl, 1999); (2) the questionable quality of government decisions because of corruption and accountability issues (Prud'homme, 1994); (3) the necessity for a nation's certain relatively high level of economic wealth (Bahl & Linn, 1992; Prud'homme, 1995); and (4) the possible adverse effect on the macroeconomic stability of a nation resulting from structural imbalances (Tanzi,

1995) and promotion of shadow economies (Zhuravskaya, 2000).

Again, it is important to notice similarities in the argumentation of both positive and negative consequences of decentralisation. Both sides of the scientific inquiry are organised based on concepts of quality and capacity of the administrative apparatus of a country, quality and capacity of political structures (at both national and sub-national levels), and on the economic rationale behind responsibilities and expenditure assignment among different levels of government. Also, this is a sounding similarity with other researchers' discussions of decentralisation and measurement.

The empirical research does not exactly clarify the nature of the relationship between the decentralisation process and economic growth. Before describing empirical studies on the nature of the relationship between decentralization and economic performance, it is important to note that the majority of studies directly linking decentralization and economic growth employ Barro's (1990) endogenous growth model, where economic growth is a function of multiple inputs including private capital, human capital, and multiple public spending². The recent studies are summarised in Table 3.

An important observation here is the fact that the measurement of decentralisation in economic models is not much better than that in political science and public administration models. Multiple definitions of decentralisation are present among different researchers. Sometimes the same researcher employs different definitions of decentralisation within the same study (i.e. Yilmaz & Ebel (2002) employ multiple definitions). Such multiplicity does not help assess the degree of decentralisation in different countries. Also, it does not allow for a meaningful comparison of decentralisation status among different nations. At the same time, the unifying theme of the literature on the relationship between decentralisation and economic growth is the fact that decentralisation is analysed through the lenses of existing structures (political, administrative, and economic).

economic growth that assumes decreasing returns to all forms of reproducible capital.

² Lin and Liu (2000) follow Mankiw, Romer, and Weil (1992) and specify a Solow (1956) model of

Table 3.
Decentralisation and Economic Growth Literature – Major Elements

| Author(s) | Region | Time | Fiscal Variable(s) | Growth Variable | D Var. | Main Results |
|---|--|-------------|--|--|--|--|
| Akai & Sakata (2005) | US Counties | 1993-2000 | n. a. | GDP Growth Rate | Sub-national Autonomy of Fiscal Revenue | Growth is positively related to tax autonomy and to non-bailouts |
| Arze del Granado, Vasquez, McNab (2005) | 45 developed & developing countries | 1973-2000 | Ratio of education and health exp. to total public exp. | n. a. | Sub-national share of exp. and revenues | Likely increase of expenditure for health and education |
| Ebel and Yilmaz (2002) | 19 OECD countries | 1997–1999 | Public sector's exp. as % of GDP | GDP growth rate | Multiple operationalizations | Various results for different concepts of D |
| Faguet (2004) | Bolivia | 1991-1996 | Investment for Education and infrastructure | n. a. | The sub-national share of exp. and revenues | Increased spending in poorer areas |
| Jin and Zou (2002) | 17 developed & 15 transition countries | 1980-1994 | Sub-national, national, and Aggregate G size: the ratio of total exp. GDP | n. a. | The sub-national share of expenditures and revenues; regulatory D. | Increase of sub-national expenditure and reduction of national expenditure |
| Thiessen (2000) | 26 mainly developed countries | 1975–1995 | Annual growth of real gross fixed capital formation (as indicator of investment) | Growth rate of per capita GDP, TFPG | Sub-national share of expenditures and revenues | Non-linear relationship |
| Thiessen (2003) | 14 and 21 OECD Countries | 1973–1998 | Average annual investment share in GDP | Log. Dif. GDP per working-age person. TFPG | Sub-national share of expenditures and revenues | Growth initially increases but then declines with decentralisation |
| Davoodi & Zou (1998) | US | 1993-2000 | n. a. | Per Capita GDP | Sub-national share of expenditures and revenues | Negative Relationship between FD & EG |

3. Models Specification: Decentralisation Measurement

Decentralisation is a complex phenomenon created at the intersection of three fields: political science, public administration, and economics. Thus, it is logical to measure fiscal decentralisation along these axes¹. The previous discussion of approaches to the measurement of decentralisation has outlined three aspects of the process: fiscal decentralisation, administrative decentralisation, and political decentralisation. Each of these aspects has been analysed and conceptualised on its own. However, it would be inaccurate to assess any of the facets of decentralisation on its own, because of the interconnectedness of these aspects. Therefore, without too much speculation, it is logical to view decentralisation as a combination of the

fiscal, political, and administrative systems of a nation. Therefore, decentralisation should be analysed as one.

Another reason that decentralisation should be measured as a whole is that it is inherently difficult to measure. Only analysis of the entire system will allow capturing unobserved variances in the degree of decentralisation. Thus, whatever unobserved element of a fiscal nature exists, it will be captured through a combination of the political, administrative, and fiscal descriptors of decentralisation. The same goes for the other two criteria. Also, such an index of indices will allow for meaningful cross-country comparisons because of the consistency of data and methodology. Development of such an index will also allow for testing the hypothesis about the influence of D on economic growth.

Table 4
Dimensions and Specific Variables of Decentralization Process

| Dimension | Variable | Source |
|---------------------------------|---|--|
| Economic Decentralization | 1 Sub-national Share of Total Expenditures 2 Sub-national Share of Total Revenue | GFS |
| Administrative Decentralization | 1 Share of sub-national Revenues from Taxes 2 Government Efficiency 3 Rule of Law 4 Regulatory Quality 5 Control of Corruption. | GFS & Kaufmann, Kraay & Mastruzzi (1999, 2003, & 2008) |
| Political Decentralization | 1 Voice and Accountability 2 Political Stability | Kaufmann, Kraay & Mastruzzi (1999-2008) |

Model of Economic Growth: Measurement and Variables

It has been pointed out that issues of fiscal federalism have been addressed from multiple points of view. The economic framework for analysis was based on values of Pareto efficiency and equity as well as on three

major economic functions of the public sector in an economy. These functions are aimed at improvement of the production process, which was articulated initially by Solow (1956) and later developed in a neoclassical way by Cass (1965), Koopmans (1965), and Barro (1974, 1990). According to that body of knowledge, a

¹ This distinction is not new; the World Bank, among many others, makes exactly this division of the decentralisation concept on its web page

<<http://www1.worldbank.org/publicsector/decentralization/>>.

community's "output is produced with the help of two factors of production: (1) capital and (2) labour" (Solow, 1956, p. 67). The production function is the simple product of these two factors:

$$Y=F(K,L) \text{ (1) ,}$$

Where Y is output; K – capital, L – Labour.

While the size of labour is an important factor in production, its quality is also important. Human capital plays a special role in a number of models of endogenous economic growth. In Romer (1990) human capital is the key input to the research sector, which generates the new products or ideas that underlie technological progress. Thus, countries with greater initial stocks of human capital experience a more rapid rate of introduction of new goods and thereby tend to grow faster. In multi-country models of technological change, the spread of new ideas across countries (or firms or industries) is also important. As Nelson and Phelps (1966) suggested, a larger stock of human capital makes it easier for a country to absorb the new products or ideas that have been discovered elsewhere. Therefore, a follower country with more human capital tends to grow faster because it catches up more rapidly to the technological leader. Thus, the labour factor hypothetically consists of size and education. In other words, (1) is altered to include the size of the labour pool as well as its quality:

$$Y=F(K, \text{pop}, \text{educ}) \text{ (2)}$$

While this basic Cobb-Douglas production function is descriptive of the output at one point in time, it does not address the issue of historically increasing productivity. Solow envisions this criticism and addresses it: "Perfectly arbitrary changes over time in the production function can be contemplated in principle... An especially easy kind of technological change is that which simply multiplies the production function by an increasing scale factor. Thus, (2) is altered to account for it:" (p. 85)

$$Y = A(t)F(K, \text{pop}, \text{educ}) \text{ (3)}$$

Where A(t) was defined by Mankiw, Romer, Weil (1992) as the level of technology. Mankiw, Romer, and Weil (1992) augmented Solow's neoclassical model for economic growth

by including theoretically justifiable variables. This is an important moment since A(t) allows for the logical and sound inclusion of variables that influence the productivity of any economy. Given the fact that the quality of regulations directly influences the efficiency of any economy, it is appropriate to include these indicators in this augmented model. The institutions of accountability and participation are key to the success of decentralised decision making. One of the theoretical consequences of decentralisation is that it results in better preferences' matching and more efficient resource allocation. Thus, the sign of A(t) is positive because of the institutions' quality and the distance between citizens and governing bodies is smaller in a more decentralised setting. The definition of A(t) deserves attention in its own right, as it is one of the most important contributions of this dissertation. It will be addressed later.

However, decentralisation is not the only contributor to economic growth. Technology level *per se* is an important contributing factor. The technological change factor itself comprises two sub-factors: the technology level of a country and the decentralisation level. Thus, (3) must be altered to account for this distinction and, therefore, we have:

$$Y = A(t)*T(t)*F(K, \text{pop}, \text{educ}) \text{ (3)}$$

where T(t) is the technology level of a country measured as an investment. It is generally known fact that any economy consists of two sectors: public and private. The relationship between these two sectors is regulatory in nature, allowing the public sector to perform its major three economic functions. Public economists' general hypothesis has been that economic development is facilitated through the enhancement of positive externalities (e.g. positive externalities of education) and minimization of negative externalities (e.g. pollution prevention). Martinez-Vazquez and McNab support this observation:

"The economic growth is fuelled by the growth in quantity and quality of economic inputs (labour, capital, and natural resources) and by technological change in the private sector. The

role of the public sector is to facilitate, or not to impede, this process.” (1997, p. 5)

At this point, it is important to mention the nature of public goods. Usually, government output is treated as a final consumption good (Grossman, 1987). Many of the goods and services government provides are in little demand in and of themselves. Their value comes from the fact that these goods and services increase the productive capabilities of the private sector. The most obvious government outputs that are immediately remembered are executive and judicial services. Such goods would have little economic value if there were no private sector. Their value is derived from the greater output produced by a private sector secure in the knowledge that the rights of the producer over the fruits of his labour are protected.

Government's regulatory functions may possibly be perceived in a similar manner. If regulations are designed to limit the

misallocation of resources arising from externalities, then the demand for regulations derives from the demand for the greater private sector output that is a consequence of the efficient allocation of resources. Finally, to the extent individual utility functions are independent, many government transfer payments may be viewed as intermediate goods. Transfer payments may be either input into the attainment of social harmony or inputs that increase the productivity of certain segments of the labour force resulting in greater private sector output.

Thus, we are in a position to develop a simple model of government influence on output by rewriting equation (3) by including government contribution (government's share in an economy) to the output. Thus, we have:

$$Y = A(t)*T(t)F(K_p, \text{pop}, \text{educ}), G \quad (4)$$

In this way, MRW model presented here and used in this dissertation may be summarised in Table 5.

Table 5. Economic Variables of the Model

| Type of Variable | Concept | Operationalization | Sign |
|----------------------|-----------------|--|----------|
| Dependent Variable | Economic Growth | growth of income per working age person | n.a. |
| Independent Variable | Capital | initial income per worker | Positive |
| Independent Variable | Human Capital | School Enrollment Ration | Positive |
| Independent Variable | Technology | Investment/GDP | Positive |
| Independent Variable | Natural Growth | Population growth Technology Level Growth Depreciation Rate of Capital | Positive |

An important caveat is that G here refers to the contribution of the central government to the economy. This conceptual model allows measurement and evaluation of the degree of fiscal decentralisation as well as the directionality of the causal relationship between fiscal decentralisation and output. It is important to note that the above-mentioned model is very close to one developed by Kriz and Morozov

(2007). However, the currently developed model is a significant theoretical improvement because it includes qualitative characteristics of governance that the 2007 model did not have. It also includes specification of the quality of the labour force that was also absent from the 2007 model.

Methodology:

We have used Confirmatory Factor Analysis for our Decentralization Index. Then we've checked for robustness of our results of the model. The newly developed index was used in the panel data in the exploration of the directionality of the relationship between decentralisation and economic growth. Panel data included 40 countries over 8 year period.

Results:

World Bank Group establishes the classification criteria according to country's 2007 gross national income (GNI) per capita. The groups are: (1) low income, \$935 or less; (2) lower middle income, \$936–3,705; (3) upper middle income, \$3,706–11,455; and (4) high income, \$11,456 or more. The final sample of this article consists of 40 countries. These countries belong to 4 general groups:

Table 6. Income Groups Composition

| Income Group | Countries | n |
|---|---|----|
| Income Group 3 GNI \$936–3,705 | Bolivia, Bosnia & Herzegovina, Colombia, Congo, Republic of, El Salvador, Honduras, Morocco, Mali | 8 |
| Income Group 4 GNI \$3,706–\$11,455 | Argentina, Chile, Lithuania, Moldova, Poland, Romania, Russia, South Africa, Ukraine | 9 |
| Income Group 5 GNI > \$11,455, OECD | Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Spain, United Kingdom, United States | 21 |
| Income Group 6 GNI > \$11,455, NonOECD | Estonia, Israel | 2 |
| Total | | 40 |

The next section will analyse the importance of decentralisation for economic growth. Figures 2.1-2.3 present the evolution of economic and political-administrative

components of decentralisation, and aggregate decentralisation index organised by income group:

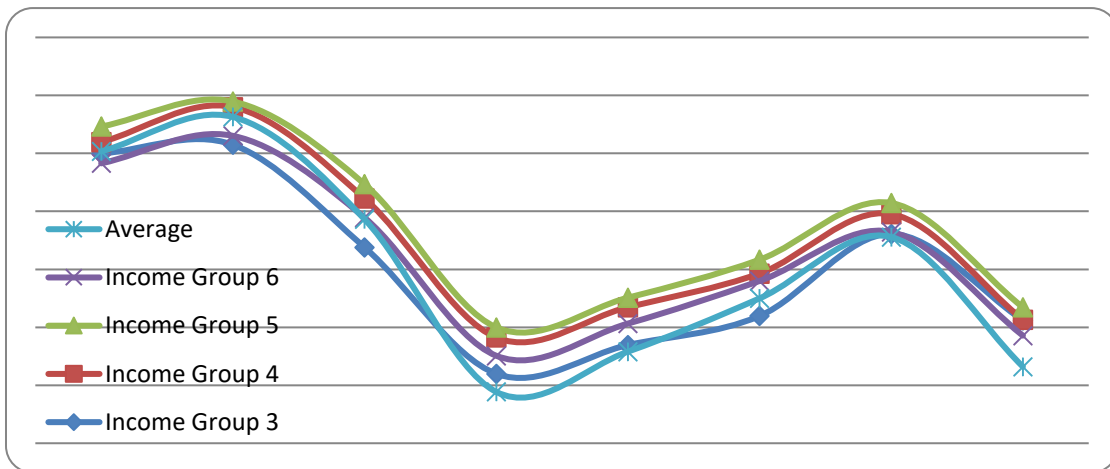


Figure 2.1. Evolution of Economic Dimension of Decentralization Process by Income Group 2000-2007

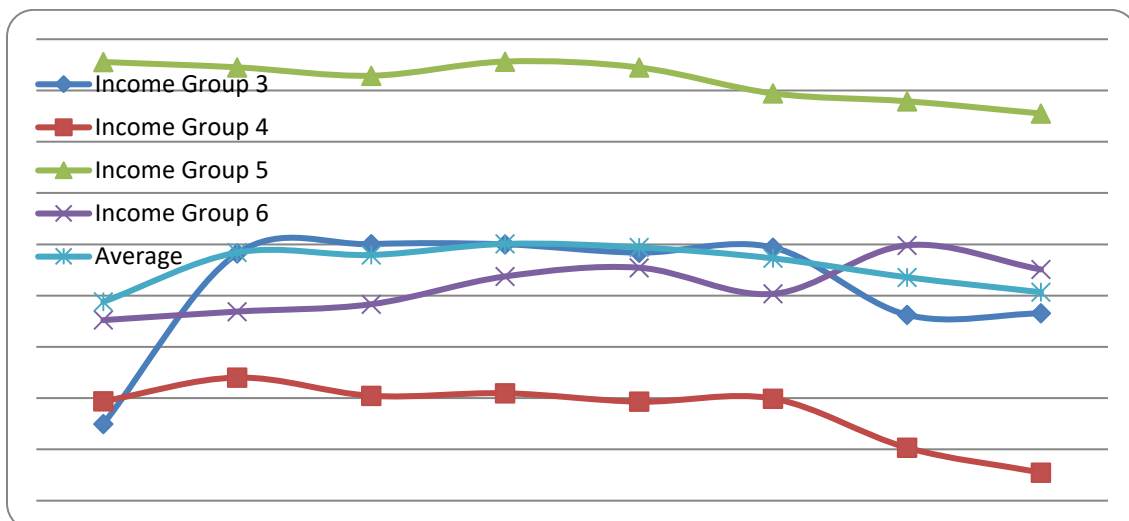


Figure 2.2. Evolution of Administrative-Political Dimension of Decentralization Process by Income Group 2000-2007

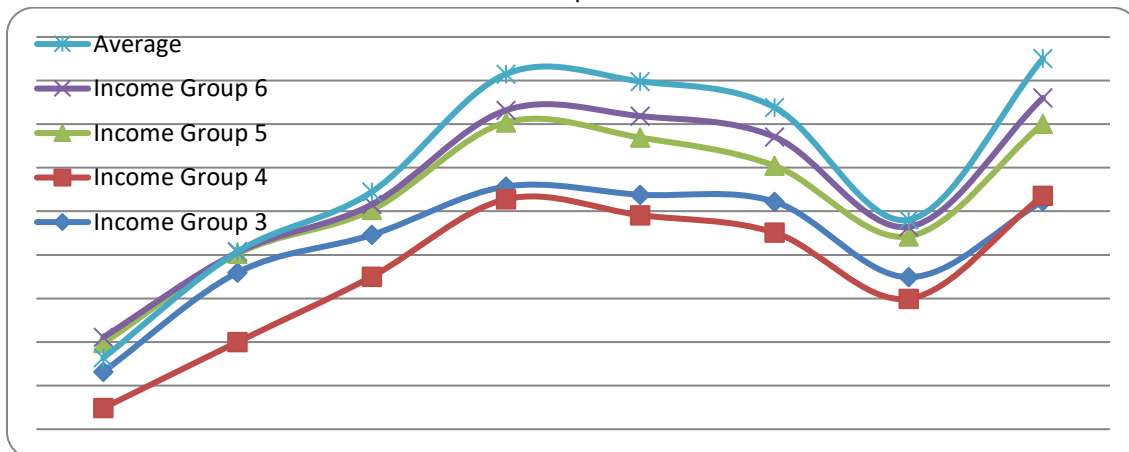


Figure 2.3. Evolution of Decentralization Index by Income Group 2000-2007

The evolution of the index of decentralisation can be described through a generally positive trend (series "Average"). This is representative of the fact that international organisations such as the World Bank and IMF have been promoting and advocating decentralisation throughout the world. Also, it is important to notice that ANOVA analysis revealed that in decentralisation indexes at least one of the groups is statistically significantly

different from the others. This is perfectly normal because developing countries are different from developed countries. Thus, our index distinguishes between countries of different levels of development. Such a finding improves the validity of our operationalization of the decentralisation process. The following table presents descriptive statistics of decentralisation index organised by income group:

Table 7. Statistical Description of Decentralization Index Organised by Income Groups 2000-2007

| Group | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------|--------|-------|-------|-------|-------|-------|-------|-------|------|
| Group 3 | Mean | -0.54 | -0.08 | 0.09 | 0.31 | 0.27 | 0.25 | -0.10 | 0.25 |
| | Std.D. | 1.18 | 0.14 | 0.36 | 0.29 | 0.32 | 0.34 | 0.51 | 0.76 |
| | | | | | | | | | |
| Group 4 | Mean | -0.17 | -0.32 | -0.19 | -0.06 | -0.09 | -0.14 | -0.10 | 0.02 |
| | Std.D. | 0.42 | 0.38 | 0.39 | 0.26 | 0.28 | 0.16 | 0.13 | 0.27 |
| | | | | | | | | | |
| Group 5 | Mean | 0.23 | 0.06 | 0.01 | 0.14 | 0.10 | 0.07 | 0.16 | 0.28 |
| | Std.D. | 0.73 | 0.85 | 0.82 | 0.80 | 0.79 | 0.91 | 1.00 | 1.18 |
| | | | | | | | | | |
| Group 6 | Mean | 0.03 | 0.01 | 0.03 | 0.06 | 0.10 | 0.13 | 0.05 | 0.12 |
| | Std.D. | 0.16 | 0.21 | 0.18 | 0.18 | 0.20 | 0.28 | 0.11 | 0.21 |
| | | | | | | | | | |

One of the important questions in the development of any new measurement instrument is its quality compared to that of existing measurement instruments. Ideally, the new instrument should exceed the "old" measurement tools in its accuracy and adequacy. The universally used measure of decentralisation is the sub-national share of revenue and/or expenditures. This measurement instrument is criticised for its parsimony and inclusion of only the economic aspect of decentralisation.

Thus, the first and foremost contribution of this essay is the fact that we developed a measurement instrument that (1) captures the multidimensional nature of decentralisation and (2) does so in a statistically accurate manner.

Our goodness-of-fitness statistical results indicate that our model is a good fit for

the data under analysis. Additionally, the goodness of fit analysis was performed on the traditional measures of decentralisation (sub-national shares of revenue and/or expenditures). In all three cases, our chi-square results and RMSEA results clearly indicated that these measures did not properly fit the data (chi-square was 0.00 and RMSEA was 0.22 for these runs). Thus, based on these results, our proposed decentralisation measurement is superior to other alternatives currently available. Finally, the correlations among independent variables for the index of decentralisation clearly indicate that our instrument correlates with existing measures while improving the richness of the measurement tool by adding political and administrative dimensions to the equation. Table 8 presents these correlations:

Table 8. Decentralization Index Independent Variable Correlations

| SGE | SGR | SGT | G_Ef | R_Qal | R_L | Cor | VA | P_S | ec_i | pa_i | ind | |
|-----|------|------|------|-------|------|------|------|------|------|------|-------|--------------|
| 1 | 0.83 | 0.37 | 0.18 | 0.09 | 0.16 | 0.2 | 0.14 | 0.09 | 0.89 | 0.27 | 0.09 | SG_E |
| | 1 | 0.32 | 0.12 | 0.03 | 0.09 | 0.13 | 0.09 | 0.02 | 0.89 | 0.21 | 0.14 | SG_R |
| | | 1 | 0.02 | 0.02 | 0.02 | 0.02 | 0 | 0.01 | 0.41 | 0.03 | 0.05 | SG_T |
| | | | 1 | 0.95 | 0.98 | 0.97 | 0.92 | 0.82 | 0.22 | 0.81 | -0.07 | G_Eff |
| | | | | 1 | 0.95 | 0.92 | 0.93 | 0.84 | 0.14 | 0.75 | -0.12 | R_Qal |
| | | | | | 1 | 0.98 | 0.93 | 0.84 | 0.2 | 0.8 | -0.09 | R_L |
| | | | | | | 1 | 0.9 | 0.8 | 0.24 | 0.86 | -0.08 | Cor |
| | | | | | | | 1 | 0.88 | 0.17 | 0.72 | -0.05 | VA |
| | | | | | | | | 1 | 0.1 | 0.7 | -0.08 | P_St |
| | | | | | | | | | 1 | 0.3 | 0.15 | ec_i |
| | | | | | | | | | | 1 | -0.04 | pa_i |
| | | | | | | | | | | | 1 | ind |

Estimation results using a combined index of decentralisation.

Based on the previously described evidence that the fixed effects method is appropriate, the specification of the model was developed. One of the important considerations in panel data analysis is heteroskedasticity. White's covariance matrix was employed because of its heteroskedasticity consistency. Table 9 presents the results of the model.

In the estimations, almost all explanatory variables exhibit a significant impact on the economic growth rate. Two

potentially controversial variables that have a negative sign (index and d_l_Enroll) are statistically insignificant. The implications of this finding are at least twofold. First, based on sample evidence, the decentralisation index is not a statistically significant contributor to economic growth rate. Second, in the true population, the relationship between index and growth rate may be of any value (positive, negative, or zero). At this time and with the current data set that covers 40 countries over 8 years, there are not enough data to answer this question.

Table 9. Economic Growth Model Summary Using Aggregated Decentralization Index¹

| Variable | Coefficient | std. error | t-ratio | p-value |
|-------------------------------------|-------------|------------|--------------------|---------------|
| const | 0.01915 | 0.00272 | 7.02800 | 2.73e-011 *** |
| index | -0.00050 | 0.00455 | -0.11020 | 0.9123 |
| d_l_Enroll | -0.03991 | 0.02633 | -1.51600 | 0.131 |
| d_l_Econ_Pop | 0.13095 | 0.13134 | 0.99700 | 0.3199 |
| d_l_Saving | 0.05922 | 0.01469 | 4.03100 | 7.71e-05 *** |
| d_l_Gov | 0.18851 | 0.03449 | 5.46500 | 1.28e-07 *** |
| d_l_K_Form | 0.11001 | 0.01601 | 6.87100 | 6.79e-011 *** |
| Model Summary (Panel Fixed Effects) | | | | |
| Mean dependent var | 0.037 | | S.D. dependent var | 0.03 |
| Sum squared resid | 0.079 | | S.E. of regression | 0.02 |
| R-squared | 0.660 | | Adjusted R-squared | 0.59 |
| F(43, 215) | 9.692 | | P-value(F) | 0.00 |
| Log-likelihood | 680.297 | | Akaike criterion | -1272.60 |
| Schwarz criterion | -1116.094 | | Hannan-Quinn | -1209.67 |
| rho | -0.003 | | Durbin-Watson | 1.59 |

¹ Calculations were performed in Gretl. Initial datasets are available upon request.

The important piece of evidence proving the validity of our model is the fact that the results are comparable to these by Solow and by Mankiw, Romer, and Weil. These results are consistent with both theoretical and empirical findings. Specifically, the capital formation and savings rate have a positive and statistically significant influence on economic growth. Additionally, we see that government participation in the economy also has a positive and statistically significant influence on economic growth. This finding is consistent with the existing theory on government involvement in an economy.

Conclusions

In this essay, we have attempted to develop a measurement instrument that would capture the multidimensional nature of decentralisation in a statistically accurate manner. Our goodness-of-fitness statistical results indicate that our model is a good fit for the data under analysis. The correlations among independent variables for the index of decentralisation clearly indicate that our instrument correlates with the existing measures while improving the richness of the measurement tool by adding political and administrative dimensions to the equation.

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Towards a knowledge-based society – an imperative of our time. Particularities of its edification in the Republic of Moldova.

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Abstract. *The authors are examining the essence and indispensability of a knowledge-based society, the logic and particularities of its edification. The article is focused on the analysis of the essence and specifics of building a society based on information technology and communication, on education and research, on innovation and on services directly related to knowledge. The authors' hypothesis is that the essence of the new society that emerges at the beginning of the twenty-first century is a result of the interactive and integrative influence of all new types of knowledge and innovation as well as of their multiple and, sometimes destructive, contradictory effects on the traditional forms of economic activity.*

Keywords: *post-industrial society, information society, knowledge-based society, particularities of a new society*

Introduction

Many economic researchers in the second half of the 20th century and the beginning of 21st century chose to focus on investigating the modern society and identifying the ways to accelerate its economic development. There are multiple terms and definitions related to the newly emerging society. In authors' opinion, it is not the name we give to such a society that matters, be it *post-industrial*, *information* or *knowledge-based* society. The important fact is that researchers are marking the emergence of a new society, which represents the result of a cardinal transformation of the economy in an era of globalisation and innovation, with everyday advances in software applications, robotics, gene therapy, artificial intelligence etc.

Starting with the 1950s, when total factor productivity that captures the effects of innovation reached a pick at 3.4 percent a year, essential transformations in all areas of economic activity have been noticed, especially in advanced countries. This is a clear indication of the transformation of economy and society as a whole, of its evolution towards a much more qualitatively elevated level. This new momentum – Post-Industrial Society - was emphasised and popularised by the American professor Daniel Bell (*The Coming of Post-Industrial Society*. New York: Harper Colophon Books, 1974), although the term originated in the major work of the French sociologist Alain Touraine (1969). This new quality of the economic development was expressed in the significantly larger share of services in GDP, which, nowadays, represents more than two-thirds in the advanced economies.

The two new concepts of "knowledge economy" and "information economy" have emerged practically simultaneously and were investigated by Fritz Machlup – an Austrian-born American economist (*The Production and Distribution of Knowledge*. Princeton University Press, 1962). Later, these concepts were developed by other researchers, particularly by those who focused their analysis not so much on the information advances but on the emergence of a new, technological and technocratic society. By the end of 20th century the notions of

“information society”, “informatization” had firmly entered into the vocabularies of working class professionals, politicians, economists, scientists, educators, being associated with the information and telecommunication technologies, and marking a new qualitative “jump” in the economic and societal development at the beginning of the 21st century.

The post-industrial society along with the development of the service-based economy evolved to reach a new level of informatization, with information processing becoming its distinctive feature. Storing, processing, transmitting and, generally, using the information, are the most obvious characteristics and, at the same time, challenges of our time. This essential transformation in the whole economic process, including production and consumption, lead to an increased efficiency of the economy and of the total factor productivity, although the current decade has recorded a decrease in the latter to a pathetic 0.5 percent per year (Are We Out of Big Ideas? By Greg Ip, The Wall Street Journal, 7 December 2016). It is important to mention the transformative role of the Internet, mobile telephony, digital technologies in transmitting and processing of information and big data as well as in the new qualitative development of programming systems. Modern economic development is accelerated through this dynamic process and its increased role in stimulating innovation and creativity.

In the context of this new environment, we can stress the importance of research and product development, of knowledge with the especially important role of education as a process of accumulation, transmitting and generating of knowledge. The development of modern society is based on this process and on the knowledge as a new factor of production. The awareness of the increased role of knowledge in the economic development generated the term “knowledge-based society” or “knowledge society”.

The crisis of human society, caused by the insufficient ecological and material resources, had re-oriented the scientists and practitioners towards searching for new

potential sources of development, to listening to the “human conscience” as a solution to the global problems of the newly emerging society. The Romanian Academician Mihai Drăgănescu proposed the new term of “conscience society” (“societatea conștiinței”) as a solution for the viable and efficient functioning of the modern human society in all its dimensions, including the economic one.

There are many concepts and interpretations of the modern society. We think it is important to focus our research not so much on the terminology itself (“post-industrial society”, “information society”, “knowledge society”, “conscience society” etc.) but rather on the essence of the concept in the context of the transformations, some of them dramatic, even radical, taking place in today’s society, in the frame of the persisting global economic crisis. This crisis has many characteristics, but the most important one is its systemic nature, this being part of the painful process of emerging of a new human society. Firstly, let us specify the categories used in our analysis:

Knowledge is conceived as the process of generating and accumulating new information, new ideas and the rethinking of the already existing ideas through various forms of instruction and education.

Research is viewed as the process of “producing” knowledge.

Instruction is defined as the process of transmission of the already existing knowledge.

Information is treated as the reflection and projection of reality directly by the human rationale or indirectly by using certain tools, including automatic calculation.

The information society is identified as a society based on generating, exchanging, distributing and consuming information and is recognised as the main source of economic growth and development with its basic tools: information and communication technologies.

Post-industrial society is the original definition of the new society.

Innovations are defined as the result of scientific research and investigation, including their practical application. Of course, the innovation process also covers the *sine qua non* conditions: the utilisation of new technologies and an extension of the applicative and fundamental research. Creativity is a must for the successful employment of the highly-qualified labour force with applicative skills and research abilities.

Regardless of the differences in approaches and definitions, the knowledge-based society is an objective reality with its own specific, reflecting the great impact of knowledge on human life and behaviour. We consider the investigation of this new society and its particularities to be of major importance in understanding the essence and trends of the modern economic realities.

The Knowledge-based society – an imperative of our time. Some historical reflections.

The role and the importance of building the knowledge-based society become more prominent if we compare it with the industrial society. We would like to remind that industrialisation was considered the most important factor in increasing the economic competitiveness and development in the most recent time period, up to the end of the 20th century. Historically, industrialisation was viewed as an inalienable part of the modernization of the economic, political and social processes. The rapid modernization of every country and, primarily of those with advanced and emerging economies, was oriented towards improving economic competitiveness through industrialisation – a goal that has been in the sight of politicians, economists and other working professionals. Of course, various countries experienced different ways of reaching this goal: the industrial education of the nation, the combination of protectionist policies with the trade liberalisation, the enforcement of industrialisation by the government regardless of its costs. The outcomes of these approaches had also been different: highly successful in Germany and other western nations, to the

Stalin's style rapid industrialisation of the Soviet Union in the 1930s – an experiment that cost millions of lives and which had been promoted under the slogan "*There are no fortresses Bolsheviks cannot capture*". The Stalinist economist of that time Stanislav Strumilin, paraphrasing Marx's statement "the task of philosophers was not to interpret the world but to change it", asserted that "*our task is not to study the economy but to change it*" (The Soviet Experiment. By Ronald Grigor Suny. Oxford Press, 1998, p. 234).

The negative attitude of some countries who were "left behind" industrialisation was reflected in their intentions to "catch up" by combining the effects of globalisation with the policies targeting the post-industrial development. A relevant example is the Republic of Moldova – with a type of re-industrialization characteristic to the "Third-World" countries, a re-industrialization which was inserted in post-industrialization policies in the context of globalisation.

It is an axiom that success comes to countries that have based the industrialisation on the market mechanism, on economic liberalisation and private sector initiative, employing the later in the modernization of their societies and economies. By contrast, for countries that had started their industrialisation with a significant delay, the government policies became the basic instrument in promoting this process. For these countries, John Stewart Mill's advice made in his famous book "Principles of Political Economy" (1848) is still important: countries with undeveloped industry should first improve the management and protection of property, impose moderate taxation, increase the level of education of their population, attract foreign investments. Of course, the terms of this process are now different from those of the 19th century, when rapid industrialisation was a priority. Today the priority is the development of a knowledge society, use of information and knowledge as determinant factors of the current modernization. For the less-developed countries, "catching up" and accelerating their development remain to be priorities of the government policies and of the national

conscience, although the approaches and outcomes vary immensely.

The theory of post-industrial society is one that explains the essence, particularities and policies necessary to overcome the disparity in development and how to achieve a higher level of competitiveness and development. These ideas are not new and may be found even in the medieval philosophical and religious treatises, as well as in other later studies. However, they become especially prominent in the 40-60-s of the last century, when the theories of the development of national economies were associated *volens-nolens* with the specific period of development of human society (hunting and gathering society, agriculture-based society, industrial society, service-, information-, and knowledge-based societies etc). The studies employing these ideas divided the society's economic development into pre-industrial, industrial, and post-industrial periods with their conclusions relating to the development of a new society, which has also represented the convergence of eastern and western economic systems. During the '60s the methodological foundations of the post-industrial society were elaborated, based on concrete achievements in various areas: science, education, information sector, managerial abilities in improving competitiveness. Most importantly, this period acknowledged the special importance of the human factor, scientific research and education in promoting the sustainable development, competitiveness, and national security.

By 1970 the humanity entered a new phase of development, that of a post-industrial society – a new society that emerged as a result of significant achievements in science, education, knowledge, information and services. In comparison with the traditional resources – nature and its derivatives, labour, capital, which have all reached their limits, *knowledge* has an *unlimited* character, with a volume that doubles in shorter and shorter consecutive periods of time. This represents the essential condition for the development of the traditional and the modern sectors of the economy. One of the most important achievements of the 60's and 70's is the new role of science and its results in both the

economic development and the transformation of the society.

In later periods (80-s and 90-s) the researchers were focused on more concrete aspects of post-industrial transformations, including the investigation of the impact of a new society on globalization, on the acceleration of the scientific and technological transformations, on the reduction of the share of the traditional sectors in the national output, on the development of services and information, on the increased role of the human factor, information and knowledge. According to Bell, the post-industrial society is a society whose economy had gradually evolved from the production of goods as a major sector of their economy to the production of services, research works, education with consequent improvement in the quality and standard of living. This is a society, where engineers, economists, technocrats and technology experts – a newly emerged (or re-emerged) intellectual class - become a key group of professionals for economic development and societal modernization, where innovations are increasingly dependent on theoretical knowledge and its practical application.

The case of the Republic of Moldova

It is important to mention that the service sectors that are not directly related to knowledge are not attributed to determinants of the new model of society's economic development. The non-material character of these sectors is not a sufficient precondition for their belonging to post-industrial society despite their important share in the period of transitioning from industrial to the post-industrial society. From the contemporary experience, for example, that of the Republic of Moldova, the significant share of commerce and other traditional services does not necessarily indicate the post-industrial character of its economy. It is, however, a clear sign of the diminishing role of the traditional sectors, such as agriculture and industry in the GDP. The Moldovan economy could not have been characterised as a predominantly industrial economy nor in its pre-independence period, when Moldova was one of the 15 "sovereign" Republics of the Soviet Union with Russian

Federation being "more equal" than others, neither after its independence in August 1991. Even during Moldova's highest period of development, its economy would have been classified as an agrarian-industrial, based on the "agrarian-industrial complex", as it was called at that time. Currently, its GDP structure is dominated by services and other post-industrial sectors. In this context, we find it appropriate to address the following questions:

- 1) Is Republic of Moldova's economy a post-industrial one?
- 2) If the answer to the first question is "no", then why would it not be considered a post-industrial economy?
- 3) Can R. Moldova avoid the industrial stage of development?
- 4) What could and should be included in the policies of building a post-industrial society, of improving the economic competitiveness, national security and prosperity of people?

Despite the apparently post-industrial structure of its GDP, Moldova's economy is not sufficiently competitive and is not adequately secure for an independent state that aspires toward European integration.

Addressing the first question – there is almost unanimous opinion among experts that a predominantly immaterial sector in Republic of Moldova's GDP structure is not a sufficient argument for post-industrial society appurtenance since the quality of life and utilisation of its human capital remain grossly unsatisfactory. The post-industrial society is characterised by a higher level of economic development, by the utilisation of the human capital, of knowledge and information and by the achievement of higher living standards. The post-industrial countries are much more resilient, for example to the negative effects of the global economic crises, and the Republic of Moldova is, obviously, not part of this category.

Addressing the second question, we can mention the reduced standard of living, the low quality of human potential, the insufficient level and share of the truly post-industrial sectors in R. Moldova's GDP and their insignificant impact

on the development of the traditional sectors. A bigger share of commerce and other services is also due to the excessive emigration of the most dynamic and productive part of Moldova's labour force and does not indicate a post-industrial character of the Moldovan economy.

Addressing the third question: the answer may be "yes". Moldova could avoid the industrial stage of development partially due to the lack of resources for the development of a competitive industrial sector, and partially because of the ascending dynamic development of the post-industrial sectors. Of course, it is of crucial importance to provide institutional support for the traditional sectors capable of using information, scientific achievements, instruction and education, medical assistance, as well as for the modern post-industrial sectors encouraging creativity, talent and utilisation of the locally available resources for education, science and other post-industrial factors.

Addressing the fourth question: taking into consideration the specifics of the existing conditions, there is a possibility for a "jump" in development based on the post-industrial factors. In this context, the priority of the government policy is to assure an efficient public/private management of the internal and external resources, to invest in education and knowledge and in other related post-industrial sectors along with modernising the traditional sectors. It is vitally important to promote a coherent policy of regional integration to support the process of European integration, taking into consideration the positive and negative effects of globalisation and of the still excessive dependence on one source of energy supply – the Russian Federation. In this respect, the importance of a research directed towards a deeper and more comprehensive analysis of the advantages, vulnerabilities and priorities in building a post-industrial society becomes obvious. In this process, it may be reasonable to re-visit the doctrines of economic nationalism of the 19th century, which generated ideas and successful policies in the German states regarding the enforcement of industrialisation and the acceleration of the economic growth and development.

The Republic of Moldova has a few characteristics that are important for transitioning to the post-industrial stage:

- the *human capital* is the main resource, with relatively important achievements in computer science, programming, and other knowledge-based sectors;
- the existence of other development resources, such as natural and ecological potential, which may be successfully explored and exploited due to the accumulated human capital, knowledge, applied innovations and new technologies;
- the industrial activities re-oriented from manufacturing to processing;
- the emerging of new high-end technologies that utilise little capital and labour in a more efficient way;
- regional integration, connection to globalisation, considering country's competitive advantages and prioritising its economic interests.

It should also be stressed that populist policies, based on the empty promises of a radical re-orientation of Moldova's economy from "West to East", the abandonment of the process of European integration and sacrificing all the achievements on this way, as well as ignoring the priorities of building a post-industrial society, are utterly counterproductive. The elaboration and promotion of the policies targeting the acceleration of the economic development and of the institutional and administrative reforms represent the most complex, difficult and debatable issues at the moment. However, there are no reasonable alternatives to these policies. Only through them is it possible to increase the competitiveness of Moldova's economy, the prosperity and the living standards of its people and to assure an adequate level of national security matching the current challenges, including those from separatist region of Transnistria.

The predominance of commerce, finance, transportation and others service sectors is a *status quo*. Nevertheless, these sectors could not be determinant in building the

post-industrial society. The logic of the evolution of the modern society points at the special importance of knowledge, education, information and human capital for the development and the efficient functioning of the national economy. Along with these knowledge-based sectors, the social forms of societal organisation are also important, such as family and kinship – elements of the traditional and natural economy. These social forms co-exist in contradictory dialectics with the market and public types of economy. Thus, each type of economy does not exclude the existence of any previously formed sectors and integrates them into superior forms of economic activity on a new technological basis. For example, in an industry-based economy, industrialisation contributes to the modernization of agriculture and other already existing sectors through the intensive use of knowledge and the utilisation of a highly-qualified labour force. In the post-industrial society, the traditional sectors are modernised and transformed based on knowledge and on the use of a labour force capable not only to absorb but also to generate knowledge and innovation.

In the global economy of the recent decade, however, a tendency of economic decline and degradation of living standards has been observed. It becomes obvious that the monetary policies of stimulating quantitative growth, widely used during the recent crisis, proved not to be sufficient for a sustainable economic growth and an increased competitiveness of the economy. The global economy is still in decline due to the largest and longest recent (2007-2008) financial crisis of the last eighty years. A modest reinvigoration of the global economy does not mean recovering of the global economic growth. The global economy practically stalled and failed to respond to the active and sometimes aggressive monetary policies of the US, Japan and UK. The reinvigoration of the other economies through policies of austerity has been weak and unconvincing and was accompanied by a negative impact of the increased geopolitical instability and tensions in many regions of the world, particularly in those with emerging markets. The essential factor of their

competitiveness remains the investment in institutions, capable of assuring dynamic and robust economic growth and modernization. At the same time, the main obstacles on this way remain to be: corruption, political instability, rigid fiscal regulations and limited access to finance. Although the geographical and the geopolitical conditions are important for improving the economic competitiveness of a nation, institutions and innovations remain its major factors. Countries with strong and stable institutions, effective innovation policies and an efficient regional economic integration are much more prone to economic advance. This is also important for reinforcing a nation's economic security.

From the very beginning of its independence, Republic of Moldova received a significant economic assistance from the EU, USA, Japan and other western nations as well as from the international financial institutions. This assistance was directed towards institutional development, infrastructure modernization, implementation of various projects of rehabilitation of agriculture and social infrastructure. A much more robust impact on Moldova's economy could be made through its integration into the western economic area, which could burst its economic competitiveness. Such an important national strategy could include:

- stimulation of the socio-economic activities, based on economic, techno-scientific, managerial and ecological rationales;
- increasing the level of foreign investments;
- improving the external commerce and its efficiency;
- reducing the transaction costs in economic activity;
- valorising substantial funds for reducing poverty, inequality and other gaps;
- re-launching of research and development activities;
- stabilising the prices in the internal markets and reinforcing the control over inflation;

- improving the state of the financial and banking sectors as well as the efficiency of the markets' functioning;
- improving the governance and eradicating the corruption;
- progressively adopting the European standards;
- having the reforms being monitored by the European Union.

Conclusions

The active support of instruction and education, medical assistance, informatics, science, development of human capital, economic security and an efficient regional economic integration are of foremost importance to the Republic of Moldova. However, none of these factors taken on its own can enhance the economic competitiveness, the national security and the formation of a post-industrial society. Only a satisfactory integration of these factors into an efficient and comprehensive national strategy might achieve such goals. For instance, the effect of an increased investment in education and instruction could be mitigated by a malfunctioning labour market, or by some structural deficiencies. Accordingly, the college graduates, even with excellent educational records, would not be able to find jobs in their own country and would be forced to emigrate. Similarly, the improvement of the macroeconomic environment and the optimisation of the public finances cannot succeed in the absence of an adequate transparency of the financial management and in conditions of persisting corruption. The introduction of new technologies is directly dependent on the entrepreneurs' assessment of the cost-benefit analysis of their investments. We, therefore, conclude that the performance and competitiveness of the national economy are determined by the comprehensive and efficient knowledge-based policies and strategies.

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Theoretical approaches concerning information economy

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Abstract. *Some achievements of the World economy attained between 1996 and 2000 determined many economists to speak about a “new economy” – “information economy”. They identified that the rules of the game played by the economic agents had changed as a result of the introduction of new technologies.*

This article purposes the analysis of theoretical concepts of the information economy. Studying these concepts allows one to easily explain the nature of changes in the economic activity at micro-, macro- and mondo- levels.

Keywords: *Economics of information, informational technologies, post-industrial society, post-economic society, the individualised society.*

The economic phenomenon that emerged at the end of the twentieth century has played a decisive role in the social life of the developed countries. This phenomenon resides in the dominance of the intellectual labour in the production of goods and information within the process of socio-economic development. The product of creative work has an *informational* nature rather than a *material* one, the latter being a characteristic of the industrial era. Thus, the new economic trend replaces the old one inside the contemporary society. It is worth mentioning that the society has not experienced such a major change for several centuries.

The term “information economy” is used to formulate two concepts. Firstly, information economy is a contemporary *stage* in civilisation’s development, which is

characterised by the leading role of the intellectual work and the informational assets. Secondly, information economy is a *theory* whose object of study is *information economy* in its primary purpose. In this case, the information economy comprises the economic theory of the information society or the theory of information economy. According to J. Stiglitz, information economy represents a fundamental change in the dominant paradigm of economic theory.

The theory of *information economy* is in its initial stage of development since civilisation’s transition towards the information phase has started just a few decades ago. The term “information economy”, widely used in the scientific sense, was proposed by the economist Manuel Castells who published a monograph in three volumes between 1996-1998 – “*The Information Age: Economy, Society and Culture*”. Up until now, an integral theory of information economy that would be accepted by most economists has not yet been outlined. Different criteria are used to characterise the information economy: technological, economic, labour, spacial, cultural and creative.

1. The **technological criterion**. New technologies underlie the emergence of the information society. Here we refer to the satellite and the cable television, the computer networks and personal computers, the new office technologies etc. It is assumed that due to its significant influence on the society, such a wide range of technological novelties leads to the profound transformation of the society.

2. The **economic criterion** supposes the existence of records regarding the added value of the economic information. The increase in the share of the informational business inside the country’s Gross Domestic Product is treated as a move towards the information society. F. Machlup (1962) was among the first economists to use this economic criterion. He makes reference to the following *information branches*: training, law, publishing, the media, computers production and informational services. Mark Porat proposed the following distinction between the primary and secondary information sectors: the primary sector may be subjected to an accurate economic assessment because it creates value, while the secondary sector is more

difficult to assess from the economic perspective because it includes the information activity within the company and the public enterprises (e.g. the “Human Resources” departments within companies). He concluded that half of USA’s GNP is linked to these two sectors and, therefore, USA represents an *information society* where the production of informational goods and services, along with the private and social activities has a leading position [1].

3. The **labour criterion**. Here, the structure of the labour force usage and the tendency in changing this structure are studied. It is assumed that the society has moved to the *information phase* of its development since most of the employed people work in the information sphere. The driving force of modern economy is represented by the people, whose main ability is the creation and the use of information.

In his works, Daniel Bell (1979) was the one who argued the labour criterion from the theoretical perspective. According to Bell, the dominant feature of the society is represented by its most widespread form of labour. He proposed a typology of the social structures based on the criterion of the dominant type of labour. Bell believes that if in the pre-industrial society agrarian labour was the most widespread form of labour and in the industrial society – it was the industrial work, then in the post-industrial society, the central role is allocated to *services*. The author explains this phenomenon by the increase in the labour productivity. Productivity growth allows the society to increase the number of specialists in such fields as education, medicine etc. More industrial goods are produced– more services can be provided and, therefore, more employees shift to the services sector. Considering that work in this sector can be difficult to automatize, the number of employees will increase proportionally to the growth in the industrial labour productivity [2].

4. The **space criterion** is based on the geographical principle. The main emphasis is given to the information network that connects various places, which can seriously impact time and space aspects of the social life. In the light of this aspect, modern society is an information society – network society.

The new form of society, which Manuel Castells refers to as “*information capitalism*”, uses information networks for production management and worldwide marketing. In the information society – network society, economic activity is carried out in real time without space restrictions, which is impossible to achieve without a broad ICT network. Inside giant transnational corporations, bureaucracy is replaced by informational workers, who perform worldwide transactions using the network. They usually work in collaboration with people who have similar positions. In the context of globalisation, competition transforms large corporations into complex networks.

5. The **cultural criterion** supposes that, nowadays, culture has become more informative than in the past. We live in an informationally oversaturated environment where symbols are used to represent various aspects of life inside a consumption culture. People have also realised that one’s style of clothing transmits some very important information, which helps an individual create his own image and by the means of this image, convey certain information to others. The peasant’s shirt was not important, as it was worn by most individuals over several centuries. However, in the modern world, access to cheap and modern clothing allows the individual to share ample information about himself with the people around him, “announcing” what social group he belongs to, his aesthetic preferences and personal qualities etc., therefore, facilitating communication.

6. The **creative criterion** suggests that information economy is characterised by the dominance of the superior and creative activity of social life, the word *creative* being related to *productive*, and implicitly to the idea of causing something to come into being. The volume of creative activity, expressed in units of time reflects the degree of maturity of the knowledge economy.

The creativity criterion was argued by J. Schumpeter, who was the first to introduce *creativity* as the main factor in economic development. According to Schumpeter, the success of an entrepreneur depends, first, on the ability to “create new combinations”, i.e. specific information products, that, as a result of their uniqueness, ensure benefits to the creator. After

a while, entrepreneur's idea is "borrowed" by competitors and his benefits suddenly drop. He suddenly faces a situation when he must be creative again. Thus, creativity is a vital necessity for the entrepreneur.

Thus, it becomes difficult to define *information economy* as the current stage of a country's economic development. Quantitative, as well as qualitative contradictions, arise when measuring the changes related to the transition towards the stage of an *information economy*. Indeed, there is a lot of information, but does this add any new value? More information – is this good or bad? Will it make us more *informed*? To answer these questions, we will take note of the theoretical concepts related to the transformations taking place.

Two visions on information economy have been formulated. The supporters of the first vision consider that information economy is a new stage of social development. This vision is represented by the theories of John Kenneth Galbraith (the new industrial society), Daniel Bell (post-industrial theory), Mark Porter, Zygmunt Bauman (postmodernism), Alvin Toffler (third wave), Manuel Castells (informational method of development) I. Masuda (information society, knowledge society). Those who support the second vision do not deny that information has an important role, but consider that its forms and functions obey historically established principles and practices and that computerization is just a continuation of the previously established relationships. Economists who represent this vision are Herbert Schiller (the Neo-Marxist theory), David Harvey (theory of flexible accumulation), E. Giddens (reflexive modernization theory) and others. For example, H. Schiller concluded that, regarding various innovations related to information and communications, the important role is given to markets: information must be transformed into products, and access will be possible only on a commercial basis. So, information will increasingly be perceived just like any other product. Schiller argues that market principles, represented by the idea of maximising the profit, are required in the information sphere, just as in the capitalist society [3]. According to this principle, the amount and quality of the

information produced depend directly on the possibility of marketing it successfully. Thus, the market pressure influences *the kind* of information being produced, *for whom* it is produced and under what conditions.

Theoretical conceptions related to the development of the information economy

1. The conception of the *post-industrial society* described by D. Bell.

Daniel Bell distinguishes three stages in a society's development: pre-industrial, industrial and post-industrial. The pre-industrial society is organised according to the principle of human interaction with nature and such a society obeys the laws of diminishing return and low productivity. In the industrial society, we find the human interaction with the *modified* nature based on the relationship between the man and the machine. Such an interaction uses energy to transform the natural environment into a technological one. The post-industrial society is based on the "games between people", where technology, which is based on information, has a dominant position.

A post-industrial society based on services. If the industrial society used to be assessed by the quality of products, which determines their life level, then the post-industrial society is characterised by the level of life quality, measured through the extent to which various services and comforts are present: health care, education, leisure and culture. Information becomes the basic instrument and a source of power for a company. Professionalism becomes the basic criterion of social attitudes. The post-industrial society is, to the same extent, also an *information society*, while the industrial society is a society of manufacturing goods.

The post-industrial society is a knowledge society from two perspectives. Firstly: research and investigations, which are based on theoretical knowledge, are the main sources of innovation. Secondly: the progress of any society is determined by its successes in the field of science. In the industrial society, the main economic problem concerning the capital was how to accumulate savings and to turn them into

investments. The main problem in the post-industrial society is how to organise science and the universities, the activity of the scientific research laboratories becoming of utmost importance. The post-industrial society is also a *communal society*, where the social community becomes a *social unit* rather than an individual having the right to outline the success of the "social judgment", the result of an individual decision differing from the sum of individual decisions. Social life, as a means of interaction between citizens, becomes more difficult due to the political speculations about the civil rights and because of the speed of the social changes, affecting the behavioral norms, cancelling the traditional values [2].

2. The third wave of A. Toffler.

A. Toffler distinguishes three stages or *waves* in the development of our civilisation. The first *wave* is the settled agricultural society. The second is related to the industrial revolution. The third *wave* has the following characteristics:

(1)The electronic revolution accelerates the information flow and enables the development of the energy saving industry. Technocrat revolutionaries insist that new technologies should be subjected to a harsher economic regime than the technologies from the era of the first wave. They mention the danger of electronic and information pollution, cosmic wars, genetic interventions etc.

(2)Along with the new technological sphere, the information sphere or info-sphere has emerged. Its basic element is not the mass media. Currently, not all people receive the same information, but information is shared by groups of individuals. The information model that people receive is not objective and complete. They are constantly forced to reform and process it, which leads to the increased individualization of information not only by the person but also by the culture.

(3)"Social memory", also called the "shared memory" – which has open access to society, is also subjected to a qualitative transformation. New technologies enable a detailed recording of society's activities. The society, in its turn, receives a better and

amplifier access to information about itself. Thus, social memory becomes not only *broad* but also *active*. The combination of these characteristics also acts as the driving force for the development of the civilisation. The level of this development is now reflected by the ability to store and find information inside the social memory.

(4)Production is characterised by the combination of the "mass" production and the "not for mass" production. There will come a time when production will be made strictly under the command and control of the customer. This will represent the restoration of the production that prospered until the Industrial Revolution, with the difference that the former type of production will be performed using information technologies.

(5)The "Electronic House" is the office situated in a worker's house. It is equipped with the telecommunication means necessary in carrying out the worker's job tasks. The need for the "electronic house" is motivated by the following factors:

- contemporary information technologies allow to transport the labour results by means of telecommunications;
- worker's activity from home allows the company to save money that would have otherwise been used for renting, maintenance of office space and for building premises;
- "electronic houses" decrease environmental pollution;
- the employee has more free time;
- small towns and country life become more attractive;
- families consolidate;
- young people do not avoid production: within the "electronic house", not only can children watch their parents working, but they can also get involved in the process.

(6)Various types of families. Civilisation does not restrict the individual in creating only one type of family. The new family system enables the individual to seek his own niche, to choose or to determine their own family

style. The concept of an “enlarged electronic family” becomes more and more important. An “electronic family” may include not just an individual’s traditional work colleagues, but also a client or a neighbour’s child who might be interested in the job. Such families may communicate between each other, forming a network. The new family system will have a leading role in the new social sphere.

(7) Corporation’s transformation is a response to the following 5 revolutionary changes in the production conditions:

- corporations pollute the environment;
- they are responsible for the “social pollution”, which manifests itself in unemployment, social divide etc.;
- society requires free access to a large volume of corporate information;
- corporations can directly or indirectly influence the political decisions;
- corporations can have a negative moral impact on the society related to corruption and other negative phenomena.

Because of these changes, corporations cannot afford to focus just on fulfilling the economic goal of maximising their production profits. The term “production” acquires a broader meaning that includes the external effects. Social and political information emerges as a product, alongside economic and ecological products. Corporations become *multipurpose institutions* capable of dealing with difficult social problems. [4]n

3. M. Castells’ information society.

Castells suggests that every society is characterised by the means of production (capitalism, collectivism) and by the method of development (industrialism, informational methods). The development method represents the pattern in which labour influences the material in the process of creating the product, determining the size and quality of the economic surplus. The development of each method is determined by the element that is fundamental in increasing the production. In the new information-based development method, the source of production is located inside the technology used for generating knowledge,

processing information and symbolic communication. A specific characteristic of this method is the fact that knowledge, which traditionally acts as the executive producer, can be influenced by knowledge itself. Industrialism is oriented towards the economic growth, i.e. maximising the production volume, while the information method focuses on technology development, i.e. on the accumulation of knowledge and on the advanced level of information processing. The method of development determines the sphere of social behaviour and the symbolic communication. Therefore, inside an information society, there is a close link between culture and productive forces referring to information and communications technologies.

The current technological revolution is characterised by the generation of information regarding innovations. The new information technologies are not only a *tool* to be used but a *process* that needs to be developed. Technological paradigm is the interrelationship between the system of technological innovation and its management, whose priority is maintaining the dynamics of the innovation structure. The new technological and information paradigm has the following features:

- the focus is placed on technologies influencing the information and not just information influencing the technology;
- the complex effects of the new technologies – all vital processes are formed under their influence;
- the logical network system of relationships is required for *structuring* the information within a flexible time frame, while *unstructuring* is the driving force for innovation;
- flexibility – organisations and institutes can be modified and even fundamentally restructured by means of regrouping components;
- the convergence of technologies as part of the logic of generating information, which is most visible in natural history, and is often taken over by the informational systems.

Information economy becomes global because, under the new historical conditions,

major production successes are only possible within interconnected global networks. The global economy can function as a single system in real time, being characterised by its interconnection, asymmetry, regionalisation, diversity and choice.

The information economy is characterised by the development of new organisational logic. An important trend in organisational evolution is moving from mass production towards a more flexible production: from Fordism to Post-Fordism. Under the rapid technological changes, the network is the actual production unit, rather than the companies. The company network, as a new organisational form, has emerged because of the interaction between organisational change and the new information technologies. Only this type of network organisation can provide flexibility in time, which is seen as a *resource*. Time processing becomes, in fact, a new field of activity for network companies. Any effort directed towards the crystallisation of the network positions leads to the depreciation and obsolescence of the network because it becomes quite rigid for the variable geometry method of informational needs. The culture of the network organisation or "the spirit of information method" represents the culture and "creative destruction", whose dynamics is comparable to the speed of the electronic signal.

The diversity in using the work time depends on the firm, networks, jobs and the personal characteristics of each employee are limited to his/her capacity to use his/her own time. Generally, the traditional form of work, based on the employee fulfilling his activities throughout a full "working day", and on a precise outline of professionals' positions within the company, as well as the advanced models in career growing, disappear with time. [5]

4. The conception of *post-economic society* of V. Inozemtsev.

Transition to post-economic era is characterised by the fact that the individual's interests go beyond the material interests. Overcoming the economic foundations of society can be accomplished not by transforming social structures, but because of the individual's intellectual and spiritual evolutions. Creativity is the most important element in organising a new

type of society. Such an activity is motivated by the individual's desire for perfection, which is cardinally different from traditional work. Thus, the most important feature of the post-economic society is overcoming work as a meaningful activity and replacing it with a creative activity that is not motivated by material factors.

Switching to the post-economic society is characterised by fundamental changes in the society:

1. The technological revolution. The speed of the information revolution is from 3 to 6 times higher than the tempo of technology development in energy use and has a tendency to continuously accelerate. The time between the release of an innovative product and its mass production decreases. The role of the intellectual capital, compared to the physical one, increases.

2. Overcoming valuable relations. Economic success is determined by the informational resources, which cannot be subjected to the categories of value. Information uniqueness - as a production factor - is characterised by the fact that it can be spread; it has rarity, is infinite, but, at the same time, has an end. The spreading of information and knowledge, as the main production resource, serves as a fundamental factor in overcoming the valuable relations. For the valuable characteristics of the goods to cease to be the basis of exchange relations, it is necessary to convert a working activity that cannot produce economic value in its traditional sense, into a creative activity.

3. The vanishing of the private property is only possible in the case where a considerable part of the production means becomes the property of individual producers. A new type of individual property appears, belonging to individuals able to create information and knowledge and to appropriately manage it in unordinary circumstances; these individuals are the *subjects* of management, which significantly reduces their dependence on the traditional institutions of the industrial society. Consequently, the conflict between "labour" and "capital", characteristic of the industrial society, is overcome not only at the expense of the depersonalisation of capital, but also at the expense of giving the worker more possibilities

to handle the situation than before – when his freedom was limited by his choice of working place.

4. Changing the social structure of the society. The great mass of knowledge is now concentrated in the hands of a small group of people – the true owners of information. The condition for belonging to the new ruling class is not only the right to manage the property but also the ability to use it. Enrichment does not have wealth as its goal – the new upper-class representatives receive the wealth towards which they do not tend. Meanwhile, members of society, who do not possess the necessary skills and knowledge, aspire to material goods but do not obtain them. There appears the conflict between the ruling class and the oppressed one. The basic criterion of man's appurtenance to one class or another depends on his ability to create new knowledge, which means conquering a segment that s/he is unlikely to abandon throughout his/her life.

5. Socio-psychological changes. The reason that motivates a man to broaden his horizons and possibilities, to find out more, to do something etc. is his desire to increase his social importance. Because creative individuals do not have material goals, they are not subjected to exploitation. The creativity expansion is the basis of the technological process in the post-economic society. [6]

5. The conception of the *individualised society* of Z. Bauman.

Bauman confronts the modern society with the postmodern one. Modernity is characterised by him as something "hard" and postmodern – as something "soft". Social processes in the postmodern era are characterised by dynamism and greater uncertainty. The price of freedom is the lack of confidence, lack of security of one's condition and income. As long as poverty still exists, even the rich are kept in fear and helplessness. This feeling will not disappear until we manage to get rid of poverty.

Work becomes "flexible". The employer may dismiss the employee much easier without giving him any compensation. Temporary and part-time jobs can be found more frequently.

The strategy that involves a lot of investment being made with the aim of improving one's qualification and becoming a specialist, is no more reasonable. Obtaining the means for existence becomes uncertain and unstable, production needs are changing faster than one can acquire the necessary knowledge and skills. Therefore, the value of traditional principles in education decreases and there is a big difference between people capable of quickly adapting to real social changes and those unable of doing so.

A cleavage between labour and capital takes place under the conditions of the postmodernist society. Consequently, in the light of the complete freedom of movement, the capital does not depend on the labour force as much anymore. Capital has become extraterritorial, undetectable, and compact, and is not tied to a particular place. Travel speed has become a determining factor of the social stratification and social hierarchy. The privileged ones may not need to be dependent on their wealth anymore since poverty is rather associated with being attached to outmoded things and with the inability to get rid of them. Wealthy people tend to control the changing reality and constantly make changes themselves. The main source of profit is the *idea* and not the material objects. The *idea* is sold only once. After that, it starts bringing income depending on the number of consumers. Therefore, modern capital strives to establish *relationships* with consumers.

Postmodern society destroys the old social relationships and values – a fact that dictates the human need to individualise. Individualization means to release the person from his restrictions, both inherited and innate, which, in the modern era, used to predetermine his social role. It also means that establishing individual autonomy *de jure* and *de facto* is not mandatory. The problem of the predetermination of the social position, which occurred in early modern times, is reduced, in the postmodern society, to one's active adjustment to various types and models of social behaviour by means of imitation, often motivated by the desire not to be ordinary or not to comply with the existing rules. Belonging to a certain class and gender influences personal

choice. In the postmodern era, individualisation has taken a new form.

Now, both the current social position of the individual and the position he might be aspiring to occupy are constantly undergoing a transformation. Thus, the individual is not able "to secure the future" just by respecting the existing standards and norms and is confronted with self-affirmation and self-management problems.

Today, the concept of family is no longer defined by long-term relationships. Countries are no longer defined by their own sovereignty. Everything falls apart under the pressure of globalisation.

Families are the ones that ensure the contact with eternity. Today, marriages are being replaced by *partnerships* and are meant to last as long as both partners jointly bring satisfaction. In the modern era, "glory" represented a path to eternity. In the postmodern world, this concept has been replaced by that of being "well-known". Belonging to this category is a matter of bringing immediate satisfaction, which is consumed very quickly, and is not the result of thorough work. The culture of the postmodern era is the first in the history of mankind which does not support the idea of eternity.

The postmodern society reaches such stages of "development" and "steps" into such "territories" that the modern society would have considered *unsuitable for life*. [7]

Conclusion. Does "information economy" exist?

The world has already stepped onto a new path proposed by the new economy – the information economy. Contemporary processes are unthinkable without the information technologies. High speeds of information broadcasting allow countries with different degrees of economic development to take part in the global processes and stimulate their growth. The combination of information technologies and globalisation trends is *real* and will have the highest economic effect among all the technological revolutions that have transformed the civilisation.

Daniel Bell prophetically stated in *The Coming of the Post-Industrial Society* that we can expect "*new premises and new powers, new constraints and new questions – with the difference that these are now on a scale that had never been previously imagined in world history*" [8].

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Estimation of the underground economy. Opportunity and Methods.

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Abstract. *The underground economy is an extensive, complex and omnipresent phenomenon. This is why one of the main goals of the scientists studying the area of the underground economy is to find the best methods to quantify this phenomenon. The article treats the issue of quantifying underground economy, examining the main methods of its estimation, and also looks at a number of researcher opinions related to this subject.*

Keywords: *underground economy methods of estimation, qualitative and quantitative research, non-observed economy*

Introduction

Measuring the underground economy and identifying ways of reducing it are two of the most common actions to take into consideration when it comes to the underground economy. To investigate, understand and reduce underground economy, it is necessary to quantify it. Any measures to be subsequently taken will depend on this quantification.

Researchers' opinions related to measuring the underground economy are still different, some saying that one cannot *precisely measure* the underground economy, only *approximate* it. Regardless of the term used, it is important that the research of the phenomenon is accompanied by more or less precise estimations of its size.

The main findings

Because the underground economy is hidden and comprises a great diversity of economic activities, it is almost impossible to estimate or measure it; most often, the given figures are approximated and cannot be proved. However, we still need to estimate the size of the underground economy in order to analyse the economic development of the state and for the purposes of developing the economic policy as well as for obtaining a more objective view on the state of the national or global economy.

Firstly, we would like to mention that some of the researchers, like the Romanian researcher Cristina Covaci Voicu, claim that it is impossible to "measure" underground economy by setting out the exact size of the variable. However, it is possible to "approximate" it, allowing for some uncertainty [1, p. 65] In our opinion, this approach is relevant as long as the data on the size of the underground economy varies greatly from one source to another and from one estimation method to another. Both qualitative and quantitative research methods are used when analysing underground economy. Quantitative research involves a macroeconomic approach, which is based on testing the existing theories, while qualitative research is based on the microeconomic approach, which involves knowledge investigation. In Table 1, we can note the attributes of the two research methods, identified by Cristina Covaci Voicu: However, nowadays, the worldwide trend in measuring the underground economy is using *macroeconomic modelling*. The *monetary approach* and the *method of implicit labour supply* are considered to be the most important macroeconomic methods in estimating the size and the growth of the underground economy. Both methods are based on the information provided by the National Accounts Statistics, as well as on the energy consumption methods, which we will refer to later in this article. Speciality literature groups the methods used for estimating underground economy under several clusters, such as *direct* and *indirect* methods, *macroeconomic* and *microeconomic* approaches, *monetarist* methods, *accounting* methods, *statistical* methods, etc. [1, p. 67]. Most researchers in this field are trying to estimate the size of the underground economy against the GDP.

Table 1. The quantitative – qualitative dichotomy in the research methodology used in the estimation of the underground economy.

Source: COVACI VOICU, Cristina. Economia subterană din România. Contextualitate și analiză. București:

| The features of: | |
|---|--|
| Quantitative research | Qualitative research |
| <ul style="list-style-type: none"> • Represents the <i>macroeconomic</i> approach • Involves deductive research strategy • It is originated in the positivistic tradition • It is based on testing theories and providing forecasts • Its role is to identify general concepts and make connections between them | <ul style="list-style-type: none"> • Represents the <i>microeconomic</i> approach • Involves inductive research strategy • It is originated in the interpretative tradition • It generates theories • Its role is to interpret events with time signification |

The method of difference between revenues and expenses incurred assumes that even if a part of the revenue received by an individual can be hidden or declared as being smaller than it actually is, this hidden money appears later in time as an expense. The difference between revenues (lower) and expenses (larger) is an evidence of the size of the underground economy. Analysing the dynamics of this divergence, year by year, we can observe the general evolution of the underground economy. The first approach relates to the macroeconomic level (national revenue / GDP). The second approach relates to the micro level or to the group of individuals. This method is believed to be one of the most accurate methods of measuring the size of the underground economy. [1, p. 72] One variant of this method implies comparing different ways of estimating the income, which is: comparing the income recorded in the national accounts with revenue from the income tax statements. The difference is considered to be *undeclared income*, i.e. "underground revenues." The most comprehensive study based on this method was carried out in the USA. [2, p. 85]. The figures obtained for different countries vary from 10% of the GDP in the Anglo-Saxon and Scandinavian countries to 20% of the GDP in the South European countries. Another variant of this method is the *survey and sampling method*, which calculates the "unexplained difference" arising from the examination of the household costs and incomes. If the survey is conducted on a representative sample, the results are

extrapolated to the entire national economy and we can, therefore, obtain an estimate of the underground economy. Such research studies were conducted in the US, but the surveys were not large enough to estimate the underground economy. [2, p. 86] This method would be difficult to apply in the case of the developing countries.

Measuring underground economy method based on data from tax checks relies on the data obtained from the tax authorities following the inspections aiming to detect hidden income, thus ignoring the answers given voluntarily, based on questionnaires. The results of the tax audits are extrapolated to the entire body of the taxable population, thereby allowing one to obtain data on the size of the underground economy. [2, p. 87] The method is also called *the control sample method* or *the tax compliance method*. [1, p. 72]. This method is used, with different frequency, even in OECD countries. There had been some attempts to evaluate the underground economy by this method at the end of the 1980's in Sweden and the USA. In Sweden, researchers showed that between 8% and 17% of the declared income in 1978 had been hidden.

The method of measuring underground economy based on the indicators of the labour market, also known as the *Italian method*, assumes that the official labour turnout is constant, any change in its size being due to underground activities in the field. [2, p. 88]. The *Italian method* was developed and is used by the Italian Institute of Statistics, which

is currently considered to be the most efficient in measuring the size of the underground economy. One variant of the method is based on questionnaires and interviews. This variant involves interviewing the households and companies regarding the number of hours worked by respondents in a particular sector. The advantage is that interviewees are not asked about income, but about hours worked – information that does not make sense to hide or modify. Based on available data, one extrapolates and determines the average amount of days worked by a person. [2, p. 89] It is almost impossible to use this method in the Republic of Moldova because the official labour turnout is impossible to calculate precisely at the moment, due to the uncertain size of the country's current population. The last population and housing census in Moldova, from 12 to 25 May 2014, has not been made public yet and, because of the lack of funds, nobody knows when the data collected will be processed.

The method of estimating underground economy based on indicators of the monetary sphere has three variants. Leaving from the premise that the increasing release of quantities banknotes of a high denomination with the purpose of facilitating payments is an evidence of the expansion of „black business”, this method attempts to show that it is possible to estimate the size of the underground economy based on the quantitative data involved in the above-mentioned processes. The *transaction method* or the *Feige method* assumes that there is a constant relationship in time between the volume of cash transactions and the total GDP, official and illegal transactions. The transaction method described by Feige (1979) is based on the following reasoning. The starting point is Fischer's equation:

$$M*V=P*T$$

This equation states that the total stock of money (M) multiplied by the velocity of circulation (V) equals the total number of transactions paid by that money (T) multiplied by the Price of these transactions [6, p.188]. Taking note of the total money supply, which includes both currency (cash) and deposits, one can infer the size of the

total GDP. Therefore, by deducting it from the official GDP we obtain the illegal GDP. This calculation assumes that the money circulates with the same velocity both in the “official” and in the underground sectors. Andrei Rotaru – a researcher who has applied this method to the case of the Republic of Moldova, has estimated that between 1995-1998, the average value of the underground GDP against the official GDP was around 60 percent. [4, p. 71-72]. Using the same method to estimate the underground economy from 2009 to 2014, we have obtained an average value of the underground GDP amounting to approximately 40% of the official GDP. In calculating the values mentioned above, we have used the following data: the minimum and the maximum monetary mass, GDP, inflation and velocity of money circulation from 2008 to 2014. The increase in the monetary mass has been calculated as follows - maximum monetary mass in the year under review was reported to the minimal monetary mass for the previous year. In Table 2 one can see the obtained results.

The data in the table shows that in the recent years, underground economy has tended to increase, with a slight diminution during the year of 2014. The statistics show that underground economy has tended to increase all around the world following the crisis of 2008, which suggests that the data we have obtained is close to reality. The World Bank report "Shadow Economies All Over the World: New Estimates for 162 Countries from 1999 to 2007", published in 2010, shows that underground economy in Moldova constituted an average of 44,5% of its annual GDP between 1999-2007 [7, p. 23]. This data is comparable to data from Table 2, which was obtained by the author. Determining the size of the underground economy based on the currency demand is one of the most frequently used methods in the OECD countries. This method is called the “liquidity demand method” and was first used by Phillip Cagan in 1958, who identified the link between the currency demand and the fiscal charges, explaining the underground economy between 1919-1955. Subsequently, the method was developed by Vito Tanzi in the 1980s, who had econometrically estimated the demand for liquidity function in the US during the period of 1930-1980 [1, p.74].

Table 2. Estimating underground economy using monetary aggregates and rising prices

Source: elaborated by the author.

| Indicators | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Average |
|--|----------|--------------|-------------|--------------|--------------|--------------|--------------|----------|
| Max. Monetary mass (mill MDL)* | | 13.705.2 | 14.085.8 | 17.154.0 | 20.531.1 | 26.077.7 | 27.722.2 | |
| Min. Monetary mass (mill MDL)* | 11.165.8 | 11.783.8 | 12.335.6 | 13.521.2 | 15.952.2 | 19.713.1 | 24.766.2 | |
| Monetary mass growth (%)* | | 22.7 | 19.5 | 39.1 | 51.8 | 63.5 | 40.6 | |
| Prices growth (%)** | | 0.4 | 8.1 | 7.8 | 4.1 | 5.2 | 4.7 | |
| Official GDP (mill MDL)** | | 60.429.8 | 71.885.5 | 82.348.7 | 88.227.8 | 100.510.5 | 112.049.6 | 85.908.6 |
| GDP growth (%)** | | -6.0 | 7.1 | 6.8 | -0.7 | 9.4 | 4.8 | |
| Increase the uncoated (%) | | 28.3 | 4.3 | 24.5 | 48.4 | 48.9 | 31.1 | |
| Monetary mass used in the underground economy (mill MDL) | | 3.884.4 | 610.7 | 4.195.9 | 9.938.0 | 12.745.1 | 8.629.3 | |
| Velocity of circulation * | | 5.1 | 5.8 | 6.1 | 5.5 | 5.1 | 4.5 | |
| GDP underground (mill MDL) | | 19.920.0 | 3.558.9 | 25.554.6 | 54.964.5 | 64.983.2 | 39.041.6 | 34.670.5 |
| Share of underground GDP in official GDP (%) | | 33.0% | 5.0% | 31.0% | 62.3% | 64.7% | 34.8% | 38.5% |

* National Bank of Moldova

** National Bureau of Statistics of the Republic of Moldova

According to this method, any increase in the value of the underground economy will lead to an increase in the currency demand. Excessive currency demand is determined by an econometric equation. The advantage of the monetary method resides in the fact that much of the savings and payments in the underground economy are made in *cash*. Cash transactions have the “advantage” of being difficult to control and record – an “advantage” not characteristic to the bank transactions. [2, p. 90-93]

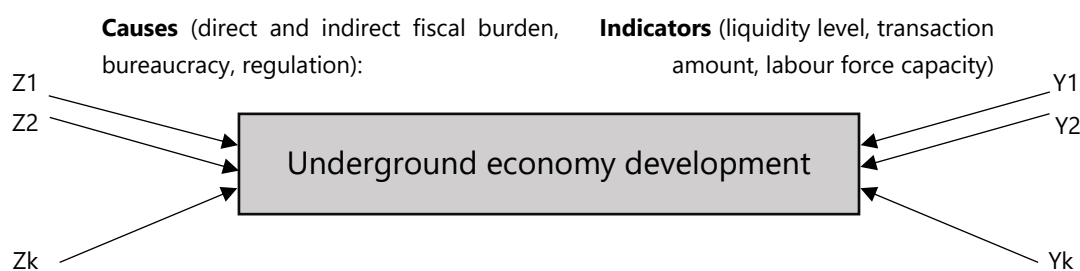
The “Complex” modelling method, also called the **Frey-Weck Hanemann method** or the **Multiple Indicators Multiple Causes**

(MIMIC) method, is one of the most complex approaches available because it takes into account the multiple causes and effects of the underground economy (Figure 1).

This method has been used by the researchers Friedrich Schneider, Andreas Buehn and Claudio E. Montenegro in the previously mentioned World Bank report [7, p. 5] The method is difficult to apply to the case of the developing countries and countries with transitioning economies because it requires a large amount of data, this being the main drawback of this method.

Figure 1. General Structure of a MIMIC model

Source: SCHNEIDER, Friedrich, BUEHN, Andreas, MONTENEGRO, Claudio E. Shadow [7, p.12]



The physical inputs method or the **electricity consumption method**, known as the **Kaufman method** is among the latest methods identified by the researchers and is used in many European countries. It claims that part of a family's electricity consumption (in households) is used in the underground economy (unofficially) in every country. The amount of electricity consumed by households differs from country to country and is determined not only by the obvious causes, such as the size of the population, the living standards, the geographical location of the country, which determines the specifics of the climate, the relative price of electricity or the availability of access to alternative of energy, but also by the expansions of the *underground economy*. On the other hand, a significant number of unregistered economic agents activate within private households or benefit from such economic activity. [3, p. 17] The Moldovan researcher Andrei Rotaru has also estimated the underground economy in Moldova using the electricity consumption method. He estimated that the size of the financial resources engaged in underground economy compared to the size of the GDP used to represent up to 65.7%. [4, p. 72] between 1995-1998. Using the same method of calculation, we have estimated that the average percentage of underground industrial production against the official one used to

represent 56.3% between the years of 2010 – 2014, which allows us to conclude that the share of the underground economy in the GDP is situated in the same range. The data can be found in Table 3.

We would like to note that results we have obtained for the size of Moldova's underground economy using both the *monetary* and the *electricity consumption* methods are comparable. Also, according to the Moldovan researchers Galina Ulian and Iulia Caprian [5, p. 26] the method of recording the consumption of water, gas, electricity, the volume of residual substances and the pollution of all kinds related to a certain economic entity is the most suitable method for estimating the size of the underground economy in the Republic of Moldova.

The analytical method is based on identifying, one by one, the components of the underground economy and classifying them according to their causes. Such an approach allowed writers Heertje and Barthelemy in 1984, Barthe in 1988, Prestieau in 1989, Debar in 1992 and many others, to analyse the amplitude of various activities part of the phenomenon of the underground economy, to discuss their causes and implications, as well as their global assessments. [1, p. 75]

Table 3. The estimation of the underground economy using the electricity consumption method.

Source: elaborated by the author.

| Indicators | 2010 | 2011 | 2012 | 2013 | 2014 | Average |
|--|--------------|--------------|--------------|--------------|--------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| The produced electricity (mill. MDL)* | 2.572.7 | 2.906.8 | 3.142.8 | 3.041.9 | 3.130.9 | |
| Electricity consumed by population (final consumption) (mill. MDL)* | 1.184.6 | 1.330.4 | 1.427.4 | 1.344.1 | 1.423.8 | |
| The rest of the electrical energy (mill. MDL)* | 1.388.1 | 1.576.4 | 1.715.4 | 1.697.8 | 1.707.1 | |
| The share of expenditures for electricity in total expenses (%) | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | |
| Total production volume (mill. MDL) | 44.911.1 | 52.110.9 | 56.253.8 | 63.164.8 | 67.258.2 | 56739.8 |
| Official production volume (mill. MDL)* | 28.140.1 | 34.194.4 | 36.362.2 | 39.403.3 | 43.548.0 | |
| Underground production volume (mill. lei) | 16.771.0 | 17.916.5 | 19.891.6 | 23.761.5 | 23.710.2 | 20410.2 |
| The share of the underground industrial production inside the official one (%) | 59.6% | 52.4% | 54.7% | 60.3% | 54.4% | 56.3% |

* National Bureau of Statistics of the Republic of Moldova

The expert method used by the Russian researcher L. Timofeev represents the idea of an expert from a particular field producing an estimation of the underground economy in that field based on analysing a large set of data related to that specific area. The main drawbacks of this method are the difficulty of finding such an expert as well as accounting for his subjectivity and the fact that the obtained estimations can be verified only after a certain time. To account for this, we often rely on estimates made by several specialists, verifying their findings through other parallel methods of estimation. [8 p.46-47]

As we can note from the above-mentioned, it seems that there is no single method to be used for obtaining a precise estimation of the size of the underground economy. Each method has its own positive and negative aspects. Perhaps, one should use several methods to obtain a more accurate estimation.

There are several national and international organisations that attempt to measure the size of underground economy in the Republic of Moldova. Some attempts of fragmented research are made in relation to this phenomenon. For example, Lilia Caraşciuc, doctor in economics at the Centre for Strategic Studies and Reforms, in her research work "Corruption in Moldova: the macroeconomic impact", approaches the most pressing issues related to the phenomena of corruption, bribery as well as other phenomena that have a negative impact on Moldova's economy and society. In the Republic of Moldova, the size of the underground economy is currently not being estimated; there is no methodology for data collection or estimation. However, the National Bureau of Statistics of the Republic of Moldova does estimate the size of the so-called "non-observed

economy". These estimations are carried out according to the methodology developed by the NBS, which has been described in "Measuring the Elements of Non-Observed Economy in the Republic of Moldova" (2003). The essence of this methodology is not related to the size of the illegal economy or the so-called "black" economy. In fact, the components of the "non-observed economy" are already known and the estimation methodology is highly approximate [3, p. 18-19].

The data on the evolution of the non-observed economy from 2000 to 2013, according to the National Bureau of Statistics of the Republic of Moldova is presented in Figure 2. This data shows that the non-observed economy exhibited a tendency to decrease until 2007 and started to increase again since 2008. We must note that according to statistical data, starting with the global crisis in 2008, the tendency of the underground economy to increase became a characteristic of most countries. According to the calculations of the NBS, the *non-observed economy* is part of the national GDP (Figure 2). By this we mean that the size of the non-observed economy *cannot be compared* to the GDP, representing only a share of it. Estimations are made only with the purpose of learning the size of its share within the GDP. By contrast, *illegal economy* is neither included in the GDP nor is its added value included in the Gross Added Value indicator. Thus, illegal economy generates added value that remains unknown to the Moldovan authorities [3, p. 19]. According to the World Bank Report, Moldova was among the countries with the largest share of the underground economy against the GDP, alongside Georgia and Ukraine (Figure 3). Thus, for the period of 1999-2007, the Republic of Moldova had a yearly average of 44.5% of GDP, Ukraine - 49.7% and Georgia - 65.8% [7, p. 23].

Figure 2. The share of non-observed economy in the GDP of the Republic of Moldova.

Source: The National Bureau of Statistics of the Republic of Moldova, <http://www.statistica.md/>

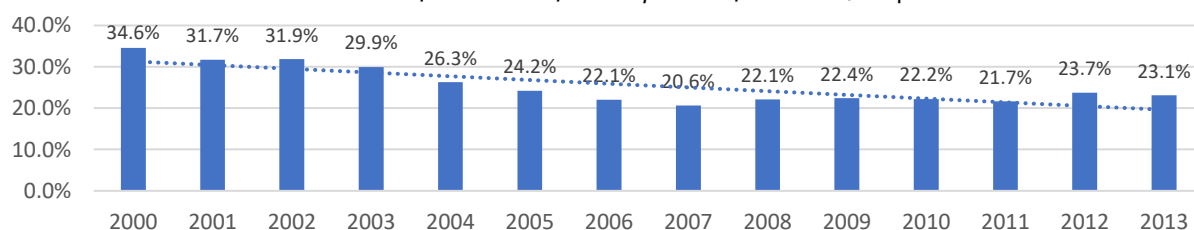


Figure 3. The share of underground economy against the GDP (%) in the Republic of Moldova.

Source: The World Bank Report [7, p.23]



Conclusions

We conclude that the complexity and the various hidden aspects of the phenomenon of the underground economy make it very difficult to estimate its size. At the same time, knowing even the approximate amplitude of this phenomenon is an essential condition for a further research. We have attempted to show that there is no single method that would allow one to obtain a precise estimation of the phenomenon of the underground economy. Each method has its own positive and negative aspects. In order to obtain a better result, it seems that the optimal solution is to use several methods and compare the results.

According to a ranking elaborated by Enste and Schneider, the highest degree of relevance is attributed to the following methods: a) Feige's transactions method; b) Gutman's econometric modelling method based on the ratio

of currency in circulation and deposits demand and c) the labour turnout census or the "Italian method".

The National Bureau of Statistics of the Republic of Moldova estimates the *non-observed economy*, which is included in the GDP, so the *non-observed economy* cannot be compared to the GDP, but only presented as a share of the latter. By contrast, *illegal economy* is not estimated even though it operates *alongside* the formal economy. Thus, *illegal economy* generates added value that is largely unknown to the Moldovan authorities. Accordingly, different sources present different estimations of the size of Moldova's underground economy. Some of them show a share of the underground economy of up to 40% -50% against the GDP, so we can certainly conclude that, indeed, in the Republic of Moldova, there is an *illegal economy* that operates alongside the *official* one.

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Panel Two

Classical and Innovative
Approaches of the Life
Quality and Related Policies
in Contemporary Economic
Thought

Panelul Doi

Abordări Clasice și
Inovatoare în Gândirea
Economică Contemporană
privind Calitatea Vieții și
Politici Conexe

The transcendence of the human capital towards spirituality

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Abstract. *This article examines the conditions under which human resources can be transformed into human capital. The author describes the fundamental differences between these two notions in the light of the individual's personality. Human capital is a core input, from which other forms of capital can be derived. The author attempts to show that human capital is the main asset of a nation, building her argument on the example of Great Britain – a developed country that has been successful in attracting and valorising this form of capital from abroad. In the context of the emergence of the global labour and talent markets, the countries in development such as the Republic of Moldova, face an increase in both the risks and opportunities related to human capital. Managing these risks and opportunities represents a challenge to which the country must respond by increasing investments in the valorisation of its human capital, inclusively through an improved design of the education policy and planning of the future workforce. At the same time, the author suggests that spirituality is a fundamental dimension of the factors that generate human capital, driving their development in a way that responds to country's deepest and most actual needs.*

Keywords: *human resources, personalisation, human capital, social capital, spirituality, creativity, education, talent flow, global labour market, brain-drain, brain-hunting policies.*

The *personalisation* of the human resources in the process of transforming them into human capital

As a rule, the capital factor involves two fundamental processes: the investment in resources and their adequate utilisation, generating a return. Therefore, theoretically, in order to transform human resources into human capital we need, on one side – investments accomplished through the educational system, and on the other side – an optimal employment of the human resources. The latter would ideally offer the individual not just the opportunity to continuously supply work effort, but also allow for an increase in the return of this effort. Next, *human capital* can be defined as “*the knowledge and skills embodied in individuals that enable them to create economic value*” [1]. Beyond the boundaries of this definition, however, we must note the impact of the human capital on the society and economy as a whole: “*... human capital is critical not only to the productivity of society but also to the functioning of its political, social and civic institutions.*” [1]

We have noted that the creation of economic value reflects the return of the utilisation of the human resource. So, what are the conditions for obtaining this return? We believe that two fundamental conditions are *experience* and *innovation*. These notions are also symbolically contained within the phrase “classical and innovative approaches” from the title of the CIACET Conference. In this context, both the valorisation of experience and the achievement of continuous innovation are linked to the quality of the human *resources*, or rather, of the human *resource*. In our view, moving from the plural form of this notion (*resources*) to its singular form is essential, for the quality of the human resource is closely linked to the development of the individual's personality. Summarising this part of the argument, we would like to suggest that there

is a difference between the notion of *human resources* – which targets the human factor as a whole and the notion of *human capital* – which is based on the individual’s personality. We also conclude that the *personalisation* of the *human resources* is the *sine qua non*-condition for their transformation into *human capital*.

The components of the human personality and the contribution of SPIRITUALITY towards their development

Invoking the notion of *personality* requires an interdisciplinary approach, involving multiple perspectives from the social and humanitarian sciences, such as psychology, anthropology, sociology etc. However, without entering into the details of theories about human personality – a subject that we hope to develop on other occasions – we would like to mention that it would be a fatal mistake to reduce the human personality to the competence of rational thinking, to one’s intellect. Prominent scientists and representatives of various religious cults refer to other important components of a man’s personality:

- Instincts and emotions, determined by the physical, neurophysiological “layer” of the human being.
- Willpower – a component reflecting a man’s “energy layer”.
- Intuition – a component through which a man’s “spiritual layer” manifests itself.

In our article published in the first edition of the CIACET conference, we have looked at the importance of economic thinking in determining the economic behaviour and have also examined a tendency that, we believe, manifests itself within the evolution of economic thought – the tendency towards the *humanization* of the economic thought, which involves focusing on the (economic) behaviour of the individual [2, pg.55]. Thus, in the process

of evolution of the mainstreams and schools of economic thought, the following concepts have been developed: *Homo Economicus* → *Homo Intelligens* → *Homo Politicus* → *Homo Socialis* (including *Homo Sovieticus*) → *Homo Creativus*. One hypothesis that was put forward in that article [2] stated that in the context of the increasing globalisation and virtualization of the human activity and of the problem of corruption in regard to the human factor, the risk of human manipulation increases, both on the informational and physical levels [2, pg.60]. As a recent confirmation of this concern, the World Humanitarian Summit held between 23rd-24th of May 2016 in Ankara has looked at the problem of human manipulation in the global context. Also, “*the 2016 Global Slavery Index estimates that 45.8 million people are subjected to some form of modern slavery in the world today. The Index presents a ranking of 167 countries based on the proportion of the population that is estimated to be in modern slavery*” [4]. In our article, we have launched the hypothesis that providing all social classes with the opportunity to access economic education is very important in diminishing the risk of human manipulation. However, a *humanization* of the economic education is required, which is a process that could be sustained through such reforms as [2, pg.60-61]:

- Avoiding the excessive formalisation/mathematization of the economic disciplines taught.
- Promoting creativity and the *Homo Creativus* concept within the educational system.
- Promoting spirituality within the educational system.

In this context, as we mentioned in our 2015 article, an essential distinction between the notions of *religion* and *spirituality* must be made. For instance, Stephen White [5] suggests that *religion* corresponds to an organisation or institution, whereas

spirituality has an individual, personal character. Talking about the possibility of harnessing spirituality within the academic curriculum, the American researchers Hershey H. Friedman and Linda W. Friedman state: “*In the past, professors have preferred to stay away from talking about spirituality, feeling that it was too close to religion. Since religion and science were seen as antagonists, most academics were reluctant to bring anything resembling religion into the classroom. In fact, recent scholarship about spirituality in the workplace seems to indicate that it is actually a “safe” subject to discuss and is an appropriate way to teach values to students. Spiritual values may provide students with an alternative to the view that homo economicus is concerned with maximising self-interest.*” [6]

Thus, the *personalisation* of the human resources, which is essential for the formation of the human capital, inevitably requires a closer look at the *inner* side of the human personality, which includes one’s spiritual aspirations. In this context, let us recall some fragments from the Scripture: “*Then God said, << Let Us make man in Our image, according to Our likeness >>*” (Genesis 1:26) followed by: “*God blessed them; and God said to them, << Be fruitful and multiply, and fill the earth, and subdue it(...) >>*” (Genesis 1:28) and finally: “*By the sweat of your face You will eat your bread (...)*” (Genesis 3:19).

Classical and innovative approaches to the forms of human capital

In this context, the great Romanian sculptor Constantin Brâncuși urges the man to “*work like a slave (...) create like a god.*” [7]. We believe that Brâncuși’s words can be related to the valorisation of human capital from the perspective of the *knowledge capital*, *intellectual capital*, as well as the *creative capital*.

In the light of another scriptural passage: “*Love your neighbour as yourself.*” (Matthew 22:39), we note that we can also approach the notion of *human capital* from the perspective of the community/nation – a perspective that allows one to apprehend the synergy determining the formation of the *social capital*. According to the definition suggested by Brook Manville and Marcia Conner, *social capital* represents the “*value potentially produced when people work together and trust one another*” [8]. We would also like to invoke the notions of *relationship capital*, defined as the “*value potentially created on the basis of collaborative and distinctive exchanges*” [ibidem], and the notion of *emotional capital*, defined as the “*value potentially produced by personal engagement, meaning, commitment, or aspiration*” [ibidem]. Finally, authors meaningfully remark, in regard to the concepts defined above, that “*There will be more to come, and more to understand.*” [8].

In fact, when classical and innovative approaches in economic thought are applied to the notion of *human capital*, indeed a series of *classical* elements acquire an *innovative* character. For instance, Friedrich List – the founder of the Doctrine of Economic Nationalism, in his famous work “*The National System of Political Economy*” (1841) vehemently criticises both the cosmopolitical economic science and the Theory of Values elaborated by the classical liberalists. He then suggests a new theory based on the idea that “*the crucial goal in economic development is not wealth, but productive powers*” [9]. In List’s view, *productive powers* can refer both to individuals and to nation-states, representing a set of the following components:

Figure 1. Components of the productive powers

Source: table elaborated by the author based on source [9]

Note: quotation marks indicate original terminology used by Friedrich List (1841)

| Components mentioned by Friedrich List: | Forms of capital |
|--|--|
| <p>“The power of nature which they [individuals/nations] can make use of”:</p> <ul style="list-style-type: none"> • Geographical peculiarities (e.g. „Insular Supremacy” of Great Britain compared to the continental powers) • Climate peculiarities „more or less favourable to bodily and mental exertion” | <p>„Capital of nature”</p> |
| <ul style="list-style-type: none"> • Development of the „manufactures and commerce with agriculture” • Inventions • „Stability and continuity of work” • Labour division combined with „union and balance of various productive powers on behalf of a common production” | <p>„Capital of matter”, implying: Knowledge capital; Intellectual capital; Creative capital</p> |
| <p>“The social order which renders their [individuals] energy fruitful” (e.g. abolition of slavery & of vassalage; hereditability of the throne; public control of state administration, legislation)</p> | <p>Social capital, implying: Relationship capital</p> |
| <p>“The spirit which animates the individuals”, comprising religion, education, science, art (e.g. the Christian religion, monogamy, liberty of thought and conscience)</p> | <p>“Capital of mind”, implying: Emotional capital</p> |

One can notice that all the forms of capital mentioned in *Figure 1* can be directly or indirectly derived from the *human capital*. The tendency towards highlighting the role of the

human capital can also be deduced from the evolution of social paradigms (*Figure 2*). One can see that the latter derive from one another but do not mutually exclude each other.

Figure 2. Evolution of the social paradigms

Source: elaborated by the author based on source [10]



However, the most recent of the social paradigms shown – *passion based economy* – has the human passion as a driving factor. The human passion, in its turn, derives from a combination of instincts and emotions, which reflect the “physical layer” of the human being, as has been previously mentioned. In this context, we would like to cite once again Constantin Brâncuși: “Free yourself from passions, free yourself from cravings, free yourself from mistakes – these three precepts are the armour and the shield for any Spirit. Wearing this armour, you are strong against evil – you become invulnerable.” [12]. Here we once again arrive at the idea of *spirituality* and from this perspective the remark “There will be more to come, and more to understand.”[8] seems to also be applicable to the evolution of social paradigms.

Human capital in temporal and spacial dimensions – the main asset of a nation





However, no social paradigm cancels the two dimensions of human life that are, accordingly, required in researching of the human capital:

- The temporal dimension, which, basically, targets the problem of transmitting the human capital from generation to generation.
- The spacial dimension, which, essentially targets the management of the human capital at the level of the nation/nation-state.

Obviously, *human capital* becomes the *main asset* of a nation. This conclusion is confirmed not only by the evolution of the social paradigms but also by the concept of *industrial revolutions* developed by Klaus Schwab (Figure 3).

Figure 3. The four Industrial Revolutions

by Klaus Schwab, founder and executive Chairman, World Economic Forum

| Revolution | Year | Information |
|---|------|--|
|  1 | 1784 | Steam, water, mechanical production equipment |
|  2 | 1870 | Division of labour, electricity, mass production |
|  3 | 1969 | Electronics, IT, automated production |
|  4 | ? | Cyber-physical systems |

In this connection, the following question appears: To what extent can the developed states afford to dispose of the human capital and to what extent can the countries transitioning towards a market economy do the same? World history provides us examples of nation-states that had realised the importance of human capital earlier than others and started to promote "brain-hunting policies", stealthily, causing a "brain-drain" in the other countries. In his previously

mentioned work [9], Friedrich List shows that by the end of the first half of the 19th century, Great Britain was already skilfully exploiting its geographical peculiarities and had managed to build for itself, what List calls, an “Insular Supremacy”. This characteristic allowed it to successfully capture human capital primarily from continental Europe: “Hence they sought, by a system of restrictions, privileges, and encouragements, to transplant on to their native soil the wealth, the talents, and the spirit

of enterprise of the foreigners. This policy was pursued with greater or lesser, with speedier or more tardy success, just in proportion as the measures adopted were more or less judiciously adapted to the object in view, and applied and pursued with more or less energy and perseverance.” [9, pg. 90]. It is also worth mentioning that in March 2016, 150 fellows of the Royal Society, including the renowned physicist Stephen Hawking, expressed their concern about the possible consequence of Brexit on the British science, confirming that for Great Britain the successful exploitation of the “borrowed” human capital is of utmost importance: “We now recruit many of our best researchers from continental Europe, including younger ones who have obtained EU grants and have chosen to move with them here. (...) Being able to attract and fund the most talented Europeans assures the future of British science and also encourages the best scientists elsewhere to come here.” [13]

Undoubtedly, the British educational system is a key element in attracting young talents into the country. Noticeably, the British started to invest in this system centuries before Friedrich List’s paper, arriving at a unique symbiosis of *simplicity* and *creativity* in their educational approaches. Thus, already in

1998, the UK National Advisory Committee on Creative and Cultural Education published a report that “puts the case for a national strategy for creative and cultural education. It recommended new priorities in education, including a much stronger emphasis on creative and cultural education and a new balance in teaching and in the curriculum between learning knowledge and skills and having the freedom to innovate and experiment.” [14].

The global labour and talent markets. Risks and opportunities for countries in development.

Meanwhile, the globalisation and digitalization of the global economy are leading to the emergence of a genuinely *global* labour market. Consequently, according to HCR 2016, “the learning and employment landscape of the Fourth Industrial Revolution will increasingly be shaped not only by technology-enabled education but also by the emergence of digital talent platforms.” [1, pag.15].

Thus, it becomes possible to outline the international flows of import and export not just of the labour force, but also of the talent, as can be seen in *Figure 4*.

Figure 4. The hundred largest talent flows between countries

Source: taken from the Human Capital Report 2016[1, pg. 20], based on LinkedIn data



In this new conjuncture, countries in development, such as the Republic of Moldova, face an increase in both the risks and opportunities related to human capital. We see that in the context of the "new jobs landscape where work is global, even if workers are not" [1, pg.1] the ability of these countries to preserve human capital at home is proportional to their investments in valorising this capital. The *valorisation* of the human capital implies a "better design of education policy and future workforce planning (...) [considering the] learning and employment outcome gaps, demographic trends and untapped talent pools" [1, pg.1]. This is particularly relevant for the Republic of Moldova – a country currently exporting human capital if it aims to become a country that valorizes it.

Conclusions

In this paper, we have attempted to examine the formation of the human capital from the perspective of the *personalisation* of the human resources involving a more profound understanding of an individual's personality through his spiritual values. We have suggested that the *personalisation* of the human resources is the *sine qua non* condition for the formation of the human capital. In its turn, this *personalisation* cannot take place if the human personality is approached from a purely rational perspective, neglecting its other essential components, such as willpower, instincts, intuition, faith. All these components actively manifest themselves in one's pursuit of his spiritual aspirations – a pursuit that can also be valorised in the field of education, by introducing the subject of spirituality in the academic curricula. In this context, it is important to

distinguish between the notions of *religion* and *spirituality*. Further, we have also highlighted the importance of studying the human capital from the following two perspectives: *temporal*, which targets the problem of transmitting the human capital from generation to generation and *spacial*, which targets the management of the human capital at the level of the nation/nation-state. It has been suggested that *human capital* is the main asset of a nation – a conclusion confirmed not only by the evolution of the social paradigms but also by the succession of the industrial revolutions. Moreover, we believe that all other forms of capital derive, directly or indirectly, from the *human capital*. We have invoked the historical example of Great Britain – a nation-state that had realised the importance of human capital earlier than others and started to promote "brain-hunting policies", which, in turn, caused a "brain-drain" in the other countries. As the globalisation and digitalization of the global economy are leading to the emergence of a genuinely *global* labour and talent market, we see that countries in development, such as the Republic of Moldova, face an increase in both the risks and opportunities related to human capital. Moreover, in the context of the *new jobs landscape*, the ability of these countries to preserve human capital at home is proportional to their investments in valorising this capital. In its turn, such a valorisation implies the identification of the factors generating human capital in our country – factors originating from the demographical, educational, and other fields. In this respect, not only does *spirituality* add a fundamental dimension to these factors, but also drives their development in a way that responds to country's deepest and most actual needs.

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New dimensions in international comparative analysis: education economy in China and Moldova

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Abstract. *We can often hear the word “incomparable”. It is quite often heard that Moldova’s economy “cannot be compared” with the big economies of the world; the supposition is that it can only be compared with the economies belonging to the same size category, like the former soviet republics of the Central Asia, Baltic States, etc. The author of the paper claims that it might be irrelevant to compare Moldova’s economy with the big economies of the world in terms of what has already been achieved in the real economy so far; however, comparing its education economy with any country of the world, in terms of how economics of education has been applied as a scientific background used to build-up skills as well as analysing the outcomes of the added value in education, seems to be a must. The actions undertaken in education by big economies constitute a sound basis for learning and/or eventually imitating, should the teaching staff will to really assume the role of supporting the Moldovan government carry out its mandate in an accountable manner. The role of the academic class in the context of this issue is a key one. The same refers to the role of teachers in the national economy particularly because educating economists and other kinds of specialists who lack an awareness of the intangible economy as well as attitudinal skills is quite under-productive and hampers Moldova’s sound development. Only the availability of a sound, resilient Moldovan School of Economic Thought can spill over in a sound, resilient Moldovan economy. Any attempts to look for “alternative approaches” are far too risky and counterproductive. New requirements are*

imposed by the newly emerging intangible economy, with regard to the labour force quality and new criteria need to be met in order for a country to adjust to international economic disequilibria.

Keywords: *the economics of education, education economy, the real economy, productivity, the cost of ideas, international economic disequilibria.*

Introduction

“The best that each country can do for other countries is to keep its own economy in shape.”

Fisher Stanley (1988) [1, p. 48].

In a broader sense, the educational systems of various countries can be divided into the following two categories: (i) systems producing skills of competitive quality, economic culture and economic comparative advantages, etc., and (ii) systems that focus on “screening” people and cultivate illusions of being educated, combined with frequent shifts from euphoria to disappointment; commonly related to the *economic depression*. The difference between these two major types depends on:

- the existence of a national School of Economic Thought (SET) and on its quality
- whether the respective educational system admits or disregards the *Economics of Education* as a science capable of guiding the making of educational policies.

Countries around the world started to attain sustainable material wellbeing inasmuch as they have got to know and have applied *Economics of Education* as a science, with a view to a deeper understanding of the: (i) need, (ii) data quality, (iii) estimation (iv), analysis and (v) qualified interpretation of the Rates of Return to Education (RRE). This has been even more remarkable in conditions of a virtually “exponential” growth of the Global GDP after 1950’s. The difference between approaches before and afterwards owes quite a lot to the education economists (educologists), who started to subject education systems to *estimates*

of RRE. The logic of supply and demand started to be applied in carrying out the process of:

- developing human skills and abilities to produce ideas.
- idea production.

The need of a deeper understanding of the essence of the *cost of ideas* has emerged and has been acknowledged. The intangible economy started to take shape and more emphasis has been put on the *effectiveness* and *relevance* of the methods and contents used in the process of education. The “volume” of *idea production*, combined with better opportunities to produce ideas, has also grown when university education became massively available [2]. With the contribution of a more *efficient* and *relevant* education, an essential shift from the *selection of labour force* towards the *motivation of the labour force* occurred.

Why economics of education?

In various fields of science, the typical reaction to a scientific claim is: *what are the arguments?* Such reaction is quite plausible, but not to the extent of disregarding the *hermeneutical* approach. Gadamer defined hermeneutics as: “*a historiology that could serve as a methodological organon for the human sciences*” [3]. Schleiermacher claimed that: “*Hermeneutics does not apply exclusively to classical studies, nor is it merely a part of this restricted philological organon; rather, it is to be applied to the works of every author. Therefore, its principles must be sufficiently general, and they are not to be derived solely from the nature of classical literature*” [4]. Applying *hermeneutic analysis* to economic education ought to be a common practice, since the quality of interpreting economic data, used in the contexts of education and decision-making, seems to be not less important than the quality of the data itself. Interpretational skills considerably help to produce better *qualitative analysis* and decisions in situations where one has to deal with imperfect data. Sengers Ph. and Gaver B. claim: “*If we understand interpretation as the process by which users, nonusers, and designers come to assign meaning to the structures and functions of computational systems, whether at the level of what a button press might do or at the level of their relevance for on-going life, then it is difficult*

to conceive interaction without interpretation. Problems and issues around interpretation continually arise in human-computer interactions” [5]. Hermeneutics is essential for acquiring a deeper understanding of the issues and for the production of ideas, which help to develop and to “safeguard” positions already achieved. The Chinese philosopher Zhu Xi suggested: “*Correct mistakes if you made them, watch for them if you have not*”. If the economic situation is good – one must care not to admit stagnation and decline; if the economy is in crisis – one must find solutions for correcting the mistakes that were made. Applying hermeneutics in fields other than philosophy and history can be traced out in some other sources.

Likewise, the *economics of education* is the science that justifies broader scientific and hermeneutic analyses for obtaining better economic outcomes from education. To increase country’s chances of economic development, an educational system whose main focus would be its ongoing effectiveness, is required. One of the many significant points on the role of hermeneutics in the process of training professional economists, and expanding economic culture in general, is the rhetorical question: “*Is economics a science? The 19th-century economists certainly liked to think so, and although Carlyle thought it dismal, even he dignified it with the label of science. A large part of the contents of the economic theory was modelled on mathematics and even physics (perhaps the “-ics” ending of “economics” helped to lend it scientific respectability), and it sought to determine the laws that govern how the economy behaves, in the same way, that scientists had discovered the physical laws underlying natural phenomena. Economies, however, are man-made and are dependent on the rational or irrational behaviour of the humans that act within them, so economics as a science has more in common with the “soft sciences” of psychology, sociology, and politics*” [6, p. 14].

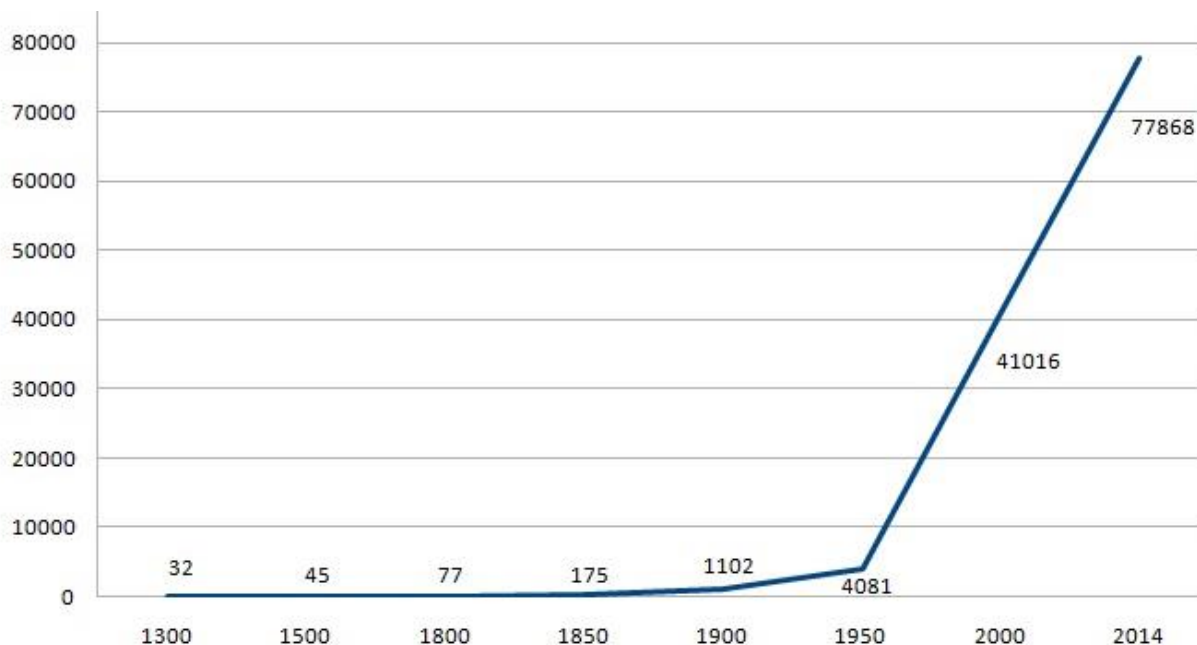
Good decisions in economic policy making seem to be a function of how well the relevant data has been interpreted, more than a function of the quality of the data itself. The *economics of education*, as a science, is worth particular attention, because in the 1950s it was the basis for a shift from *education planning*

based on demographic data to education planning based on the analysis of the rates of return to education. The state of the world economy, as reflected in the Global GDP, has

achieved a quasi-exponential growth (Figure 1); hence the need to draw conclusions based on the causal relationship seems quite plausible.

Figure 1 The Global GDP growth in billions of USD, 1990.

Source: Developed by the author, based on <http://tinyurl.com/hhanwao>, (visited on Nov. 19, 2015).



A hermeneutical analysis of the economic situation long before and after the 1950s helps to unveil the strong correlation between (i) the beginning of an unprecedented growth in the Global GDP and (ii) the beginning of economists' involvement in the analysis of the educational policy, that is – the expansion of the science of *economics of education*.

George Psacharopoulos, in a research involving 44 countries (1958-1978), concluded that investments in education can generate: "well above the 10 percent common yardstick of the opportunity cost of capital" and "The returns to education in less developed countries are higher relative to the corresponding returns in more advanced countries" [7, p. 24].

Fischer claims that: "Coordination implies a significant modification of national policies in recognition of international economic interdependence" [1, p. 18]. Thus, the *economics of education* as a science is of utmost importance in identifying the most effective ways for the economy of a poor country to adapt to

international economic disequilibria, also through its international economic integration (IEI). In our opinion, nowadays, we can speak about a *de facto* IEI that anticipates the *de jure* one, i.e. demand for creating international institutions to monitor "macroeconomic policy cooperation" [1, p. 19]. Nowadays IEI can be assessed in terms of various qualitative traits:

Figure 2. International Economic Integration (IEI) assessment quadrant

Source: elaborated by the author.

| | |
|--------------|-----------------|
| advantageous | disadvantageous |
| equitable | inequitable |
| coherent | sporadic |

In the context of the globalised world economy, the *economics of education* seems to be unavoidable, should the Moldovan government want to provide plausible economic security for the society at large and the capacity to adjust to *international economic disequilibria*, ideally based on a combination of "advantageous-equitable-coherent" variables (Figure 2). We

believe that an inequitable IEI for the citizens of a country like Moldova can also happen due to the incompetence of the national government, not necessarily due to an eventual improper attitude of the international economic partners. George Akerlof made a very plausible statement in this regard: „...small countries have an inadequate administrative capacity to manage globalisation” [8, p. 56].

An impartial look on Moldova

The Republic of Moldova can be characterised by a series of "vicious circles", heavily detrimental to its development as a state, should it be looked at through the angle of *international comparative analysis* based on the *economics of education theory*. Moldova's economic crisis can be generally characterised by many vicious circles inherited from the past. However, after the declaration of independence, several specific traits have either emerged or have been unveiled. The deep crisis of Moldova's *School of Economic Thought (SET)* is obvious, calling for the special attention of the most progressive forces of today's Moldova's society. In the overall „combative zeal” that can be observed in the general culture, one can hardly trace out true economic culture. The deep crisis of the SET also involves a whole series of spillovers. High ranking officials believe that secondary education has "nothing to do” with the national economy and the reforms of education can be carried on without economists' involvement in analysing returns to education. Thus, little attention is paid to shaping and developing *attitudinal skills*.

There also prevails the opinion that (i) the country has a “very good” education system inherited from the USSR and (ii) the fact that the former Soviet Union collapsed due to having missed developing a sound SET is almost not taken into consideration at all. Altogether, these seem to represent the major reasons why one can still see “distorted policies” being promoted by many Moldovan politicians. One can still come across the opinion that the intensive economic growth after World War II and international economic integration has been mostly influenced by the Cold War, whereas the suggestion to apply *Returns to Education Analysis* in assessing education productivity and its impact on the overall economic development

coming from the Chicago School of Economic Thought, is quite disregarded. For instance, undergraduate economic education does not yet contain a module in the *economics of education* that would offer the student a scientific explanation as to why over 80% of the economic assets within global markets are classified as *intangible assets* [9]. In 2001, the former prime minister of Moldova – Vasile Tarlev, stated: “*Only through the revival of the economy will we also obtain money for education, libraries, theatres, painting, etc.*” [10]. 10 years afterwards, in 2011, the former Minister of Education, Mihai Șleahțițchi stated: “*The Republic of Moldova continues to be the poorest state in Europe. And when you are the poorest state you cannot afford to upkeep luxurious schools. We must resort to the consolidation of the educational space, which, by means of restructuring and optimisations will be capable of solving the problem of primary importance: all children's access to quality education*” [11], which, at first sight, might seem plausible. Yet, one can hardly remember any of Moldova's ministers of education having ever tried to give a plausible definition of the notion of “*quality education*”. It is hard to find anyone in Moldova, who had ever complained about not having “luxurious schools”, and thus, the above statement looks much like an example of the typical attempt of Moldova's political officials to “justify” the heavily destructive decisions they make for the overall development of the country. More recently, in 2015, another former Minister of Education – Maia Sandu, stated that: “*...we cannot, we do not have good indicators, we have no systems, no mechanisms to measure the quality of education, ... this is why we are able to judge only from the perspective of the business circles*” [12]. Yet, nobody has ever waived the right of the Ministry of Education of Moldova to calculate *returns to education* based on the methodology that has been made available around the world by renowned scientists. Ministers of education of different political affiliation and serving the state at different points over a long period of time displayed almost a lack of positive changes in their attitude towards education as a factor of economic growth. Therefore, the Moldovan School of Economic Thought and the teaching staff, are expected to display a “high quality” attitude in the current context, in order to help the government in carrying out the economic

analysis of the educational system. Now, will the Moldovan School of Economic Thought revive through its own efforts or will it remain in its current state until the pressure will become even higher due to the deepening of the economic crisis?

The “*cause-and-effect logic*” [13] suggests that Moldova’s population is in burning need of a better economic culture, which is required, firstly, if the Republic of Moldova really wants to survive as a state. In the event of having overcome poverty, this economic culture would make it easier to change other cultural aspects. In this context, the Moldovan School of Economic Thought has a paramount role to play. Moldova’s education will continue to be inequitable as long as there is a state-imposed limit on the number of university places and the public money is spent on teaching a lot of content that is not relevant for the development of life skills. It is quite demoralising for entire generations of young people to feel constrained to emigrate to seek “better work opportunities”, which often imposes huge risks on their lives. There is hardly any country in the world that has reached sound economic development without the considerable supply of authentic qualifications exceeding the demand.

The Education Code of the Republic of Moldova (No. 152 dated 2014.07.17, Art. 140, item (d)) stipulates that one of the commitments of the Ministry of Education is to: *„carry out estimates and analyses of the indicators of economic returns and performance of the national education system, which shall be published on the official website of the Ministry”*. This commitment has not yet been honoured.

Education economy in China - what is there to learn for Moldova?

The Chinese economy is in the spotlight, being intensively studied and approached from various perspectives. *“In 1978 [...] China enacted the Law on Joint Ventures using Chinese and foreign investment. This law effectively began China’s reintegration into the global economy”* [6, p. 132]. In May 1995 *“the People’s Republic of China Law on Negotiable Instruments was adopted [...] with the characteristics of the first regulative law on negotiable instruments in China”* [14, p. 28]. In 2014, according to the

Bloomberg rankings of the Most Innovative Countries in the World, China ranked 1st in terms of Manufacturing Capability, 4th in terms of High-Tech Density and 4th in terms of Patent Activity [15]. In March 2016, a news broadcast stated that: *“The latest PricewaterhouseCoopers Global CEOs Survey found that China was identified by 34 per cent of CEOs surveyed as the most important market for their business prospect over the next 12 months, second only to the United States (39 percent) and much higher than Germany (19 percent). The annual survey covered 1,409 CEOs from 83 countries”* [16]. The chairman of the PwC professional services group stated: *“I’m a big fan of what’s going on in China. If you had faith in China’s potential 12 months ago, then that it has hit some bumps on the road, which I believe are all short-term and should not impact your view on the long-term potential of the economy”* [ibid.]. In September 2016, the Chinese economy was described as potentially having *“hundreds of ghost cities dotted across the country [that could be...] hiding a mountain of bad debt”* [17, min. 0.15]. It could be so, but nowadays China is seeing an unprecedented mass migration of its population from rural to urban residential areas. According to the Millennium Development Goals Achievement Fund, roughly 150 million people are migrating to cities [18], which can easily be a spill-over effect for a higher phase of China’s economy industrialisation. Even if construction of those cities is eventually “frozen”, it will not be for a long time. *“...according to the government, China has more than 2 billion square meters of empty residential space”* [9, 02:45 min.] and this can hardly be considered a loss; it could be a significant facility for the Chinese government to help the newly urbanised population adapt to a quicker enrolment in the urban labour market and lifestyle. The China’s prime minister admitted that: *“[The Chinese] government indeed interfered in some unnecessary things”* [9, min. 3.23]. This statement can be interpreted in multiple ways. One might understand that sometimes, even strategic visionaries make technical mistakes. Yet, at the “daily routine” level one can easily notice the waiters refusing to take “tips”, most taxi drivers refusing to take 2 or 3 Yuan in addition to what the taxi counter displays and the locksmith refusing to take some “gratitude petty cash” because he has a salary, and this kind of attitudes do not seem to be due

to the “fear of Government” at all. Such phenomena look more like an *economic culture* manifested in the situations of the daily life, an economic culture that is deeply rooted in people’s conscience as a result of their education. Notably, “several studies provide evidence which suggests that the returns to education in China have increased in the last two decades and now approaches average returns observed for major market economies” [19, p. 5]. “After controlling for publication selection bias, Precision Effect and Funnel Asymmetry test results [in China] indicate that an additional year of schooling is associated with 17.26% increase in income” [19, p. 1].

It might have been the case that “The issue of transparency with Chinese data has been on-going for years and continues to be a problem” [9, min. 7.58]. Nowadays, the quality of data seems to be an issue in many countries. This is the reason why a particular accent has been placed in this article on the importance of developing the skills of *hermeneutical analysis* for:

- economic data analyses
- international comparative analyses
- more balanced attention to *qualitative aspects* of analysis in economic research and education
- analysis of economic productivity and performance of a country through the angle of *Returns to Education Analysis*. It is calculated based on the real incomes registered in the Household Budgets comprising also the *economic motivation dimension*, not just in terms of the GDP per capita, whose distribution is difficult to foresee in a country like Moldova.

When there is considerable economic interdependence in the world and “evidence suggests that the potential gains from coordination are in any event small” [1, p. 48], to what extent can the “absolute transparency” of data contribute to making coordination more trustworthy in support of the *economic security* of a poor country? Besides, one might admit that producing data of the highest possible quality does matter, but it is very costly and thus, for a country affected by the critical shortage of funds,

relevant indicators matter even more, and good skills of relevant indicators matter most of all.

A topic that attracts a good deal of attention in China, in contrast to the Republic of Moldova, is the intense public debate about *education equity*. It envisions that: “In China, a great deal of education reform focuses on ensuring that students from migrant families - those who have moved from rural areas to find jobs and a better way of life - have equal access to a high-quality education” [20]. Nowadays, in China, one can see many foreign teachers from countries like UK, USA, Australia, Romania, Moldova, Ukraine, Czech Republic teaching various subjects *in English*. Their classes are closely monitored and analysis is carried out on their work resulting in constructive feedback is also given. International experience in teaching and education sciences is received with an open-minded and friendly attitude. In China, the application of the *returns to education analysis* started roughly 15 years after China’s reintegration into the global economy began. Since then, significant changes took place, which seems to have triggered an unprecedented migration of the labour force towards cities. There is also strong evidence of qualitative changes such as the increase in the security and strategic nature of the national economy and the state as a whole.

Conclusions

Moldova’s educational system ought to become the subject of an intense and thorough debate in which the problem of the equitability of country’s education policies would be treated with greater awareness. The *science* of Economics of Education ought to be the major scientific background for building up opinions and attitudes in this debate.

The academics working in the field of economic sciences ought to get more involved in combining the theoretical training of the future economists with the field of Economics of Education; more awareness of the human factor is required in relation to the study of economic activities.

Moldova’s School of Economic Thought seems to be in a pressing need for a “purification” from its very core. A new strategy

is required. It might be necessary to revise if the doctoral dissertations defended at least within the last couple of years contain genuine *scientific novelties*, as stipulated by the "Guide to Improving Doctoral Dissertations and Author's Review" approved by the Resolution of the Attestation Commission of the National Council for Accreditation and Attestation (CNAA), no. AT03/11 dated April 23, 2009. The process ought to be transparent and minutes of the working sessions ought to be published on a web-site with audio files available.

The Republic of Moldova significantly lacks behind China in terms of applying the *Returns to Education Analysis*. For Moldova to "catch up", economic education as a field of undergraduate and post-graduate training, needs to become more open to the *economics of education* as a module of professional training. This could increase the speed of skills development among the future economists, business people and university degree holders overall.

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Low-cost private schools as an alternative to state education

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Abstract. *This article presents the theoretical framework for private school education. Especially during economic difficulties as they are now in the Republic of Moldova, the question arises to what extent the state should and could guarantee the education of young generations. The author introduces the concept of low-cost private schools and gives recommendations as to how they could be applied in the post-Soviet area.*

Keywords: *education, Austrian School of Economics, market economy, low-cost schools.*

Introduction

The educational system of the Republic of Moldova faces multiple challenges. The economic and political crises impose the discussion about restructuring the educational offer through merging, closing and transforming of the teaching institutions [1]. The beneficiaries, employees and representatives of the educational system complain about the lack of coordination between the demands of the national labour market – on the one hand, and the content of the studies, on the other hand. As in the other areas of the society, corruption persists here as well [2]. The imposition of new rigours for the Baccalaureate examination has led to a considerably lower success rate, while

the presence of metal detectors and video cameras was fiercely disputed in the society [3]. Although in Moldova there is a significant number of private educational institutions, according to the data from the National Bureau of Statistics [4], 99.8% of pupils from the primary and secondary schools study in public institutions. It is only rarely that the privatisation of the sector is imposed. On the contrary, private schools and universities are often thought to be either elitist and financially inaccessible to common people, either of a lower quality than state ones. The phenomena of selling of diplomas and of a lower studying discipline are rather attributed to private institutions than to the state ones. In this article, we will introduce the concept of low-cost private schools as a viable alternative for a poor country, such as Moldova. After discussing the theoretical aspects regarding the advantages and disadvantages of private education, we will present the results of the research carried out in this field. We will then discuss their applicability to the Republic of Moldova, followed by suggestions on how to ameliorate the state of the educational system.

In the process of preparing the article, we consulted reports and documents of Moldovan officialities, of international as well as non-governmental organisations related to the educational domain. The E.G. West Centre of the University of Newcastle, United Kingdom, specialises in the study of private low-cost schools and offers many studies in the field.

We have analysed the problem through the view of the Austrian school of economics. The Austrian school of economics is a stream of various economic doctrines that are rooted in the works of classical economists. The origin of their ideas could be traced back to the Scholastics of the 15th and 16th centuries (especially the Salamanca School). The main exponents are Carl Menger (1840-1921), Eugen von Böhm-Bawerk, Friedrich Wieser, Ludwig von Mises, Friedrich Hayek (Nobel Prize in Economics, 1974), Murray N. Rothbard and Israel Kirzner. Famous contemporary scholars are Hans Hermann Hoppe, Guido Hülsmann, Walter Block, Thomas di Lorenzo, Thomas E.

Woods, Jeff Herbener, George Reisman and others.

While most contemporary economic doctrines consider that the economic laws are not absolute and should be subjected to empirical verification, which result could offer just an interval of statistical certainty, but never an absolute level of certitude, the Austrian economic school claims that economic laws, by contrast to historical events, can be deduced from a set of intuitively valid axioms.

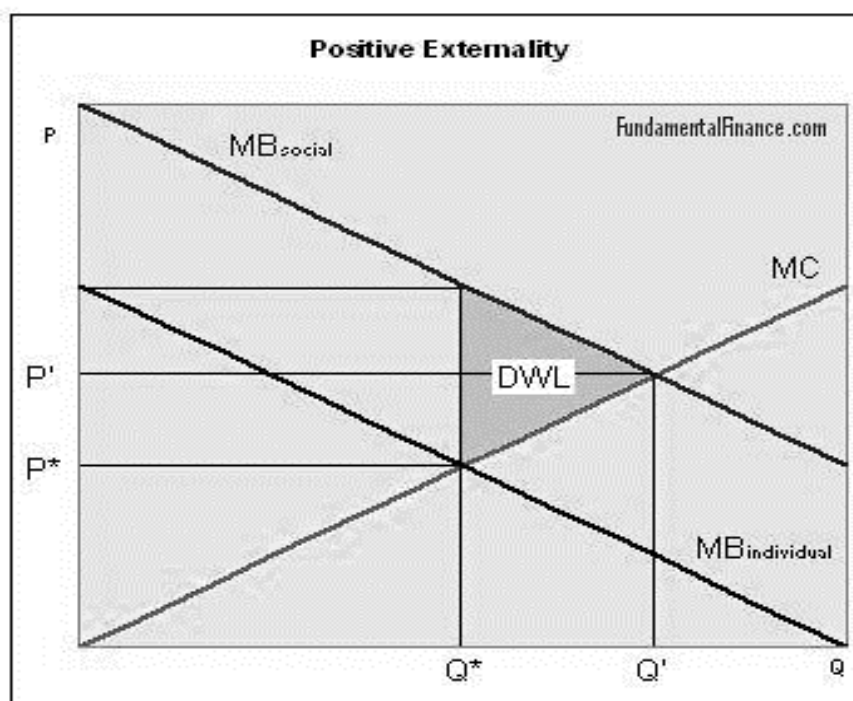
Results and discussion

The question of whether education and, specifically, school education should be

delivered by public or private sectors is enclosed within the general debate about the merits and drawbacks of the market economy. The adepts of the market economy claim that only in conditions of free competition between more producers and suppliers, the quality of the products and services will rise, while their price will go down. By contrast, the public sector as a monopolist will cause losses, misallocations and high prices for the very same products and services.

However, regarding the domain of school education, some economists invoke the phenomenon of “market failure” [5].

Figure 1. Positive externalities [6]



The argument states that when the production of a certain good/service is accompanied by positive externalities for which the producer cannot receive the full compensation, the producers will offer less than the society might demand (Figure 1). Thus, it is affirmed that not only does the educational system have an immediate contribution towards preparing the adolescent for getting into the job market, but also produces a set of indirect positive effects: correlational studies show inverse relationships between the duration of studies and the rate of criminality [7] or the

number of early pregnancies [8]. Other arguments in favour of the state offering free education, especially to children from lower social classes are centralised quality control of the education and the reduced cost. In this context, private schools are often deemed too expensive and offering services of lower quality, while without direct control from the Ministry of Education.

In the theoretical sense, deductive chains can be put forward, from the point of view of the Austrian school of economics, showing the

validity of the argument in favour of private sector/market economy. Yet, especially under the current scientific conjuncture of empiricism in the field of economics, empirical examples are required to add a necessary dimension to clarify the question. Such examples are offered by the researches on the phenomena of low-cost private schools in the developing countries.

In this regard, an academic epicentre, starting with the year 2002, is the E.G. West Center of the University of Newcastle in the United Kingdom, which works in the field of mapping the existing private low-cost schools, measuring and comparing their performance with respect to local public schools, and finally contributing to the development of the ecosystem in which low-cost private schools function (schools' deregulation, microfinancing private schools associations and their scholarship schemes), helping them to improve the quality of the education they offer, and also to configure their networks in India and Africa. [9]

In a meta-analysis of 59 studies, James Tooley and David Longfield arrived at the following conclusions:

- There is clear evidence that private schools can offer better teaching, better teaching results and that the poor are able to afford the involved educational costs and taxes.
- There is moderately positive evidence that private schools are geographically accessible to the poor and that they contribute towards an improvement in the education of young girls and offer educational services at a lower cost.
- There is moderately positive evidence that private schools are financially sustainable,

almost as accessible as state schools and that parents make informed decisions, based on the quality of education offered.

- There is weak positive evidence that private schools are more responsible and receptive regarding pupils' and parents' requirements [10].

Conclusions

The concept of low-cost private school is almost absent in the public and scientific debate in the Republic of Moldova. In a context where public education is traditionally predominant, a transition towards a vast liberalisation of school education seems precocious, especially because in the countries researched by the team of the E.G. West Center, this kind of schools have emerged spontaneously, in an unplanned way. Yet, the establishment of such schools in the Republic of Moldova might be useful particularly for people from lower economic layers. Opposing the current tendency of centralized education in Republic of Moldova, a decentralization and deregulation of the school system could allow the market forces to eliminate many current dilemmas linked to the educational system, such as the polemics around the language used in teaching, around sensitive subjects such as religion or sexual education, the discrepancy between the demand on the job market and the educational offer. We suppose that private schools could be more receptive towards parents' wishes and more flexible in adapting the programs of study to the demands of the job market. Ideally, parents opting for low-cost private schools could be exempted from general taxes to ease their financial effort of educating the children.

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The social responsibility of scientists

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Abstract. *This article outlines the particularities of scientists' responsibility. Their responsibility is to obtain useful knowledge in such a manner that will not cause any distress, harm or detriment to those involved with the experimentation that acquires the knowledge. The responsibilities of scientists can be divided into inner responsibilities – related to their conduct towards their discipline, their profession and colleagues, and external responsibilities – related to the impact of their research on the society as a whole.*

Keywords: *scientific research, ethics, moral responsibility, intellectual freedom, personal values.*

Scientific research puts a series of responsibilities on the researcher, from several perspectives: scientific, moral, social, political etc. For a long time, it was considered that the purity of the experiment, the conscientiousness and professionalism of the scientific researcher would ensure his works' compliance with the ethics of science. Indeed, conscientiousness and neutrality are valuable and necessary in the context of scientific research, but the development of science requires an emphasis on the *social responsibility* of the scholar. The significance of this type of responsibility has grown with the increasing role of the technological sphere. This is because the modern technological discoveries have the ability to strongly influence the environment, sometimes

producing disastrous results. Thus, an important parameter – the *social responsibility* of the scholar, based on such values as the scholar's conscientiousness and neutrality, is added to the traditional ethics of science [1].

The subject of researcher's social responsibility has a close connection to the correlation between science and society's values. Modern science has declared itself neutral in terms of values. Karl Popper and Max Weber supported the idea of value neutrality of science. Weber, specifically, considered that science must be free from passions, beliefs, trends, values. However, each researcher must obey certain rules and comply with certain principles of behaviour within the scientific community. These principles are determined by a set of moral and ethical values inherent to the scientific activity. Their essence was formed over the course of historical development, being constantly improved by the scientific community in line with the new ethical issues related to social development.

The ethics of scientific research implies a set of rules of conduct – moral rules established and recognised in the sphere of science by a certain scientific community. These ethics imply the notion of a researcher's individual responsibility. S/he is responsible for the accuracy of the information obtained as a result of his/her research, for the fair use of the results of his/her colleagues and for the consistency of the findings. All these constitute the basic responsibility of a researcher, his personal ethics. In this context, some of the transgressions of the moral norms in the sphere of scientific research are the falsification of results, plagiarism, use of new ideas and information from unpublished manuscripts or information that has been obtained from confidential discussions as well as breaking the rules and norms of the academic bodies and research organisations.

Ethical issues related to the moral choice of the scholars anticipate their moral responsibility both in their own eyes and in the eyes of the scientific community and of the entire society. On the 20th of November 1974, the 18th General Conference of United Nations

Educational, Scientific and Cultural Organization (UNESCO), held in Paris, adopted *the Recommendation concerning the status of scientific researchers*, which was ratified by the governments of most countries and had a significant contribution to the formation of the body of moral principles in science. This Recommendation states that scientific discoveries and related technological developments and applications open vast prospects for progress made possible by the optimum utilisation of science and scientific methods for the benefit of mankind. However, they might also be dangerous, to a certain extent, especially in cases where the results of scientific research are used against the vital interests of humanity, serving such interests as those of preparing wars involving population destruction on a massive scale or those related to the exploitation of one nation by another. In such cases, the products of research can contribute to the rise of complex ethical and legal problems. The fundamental rights and responsibilities of scientists (from the civic and ethical perspectives of research) listed in this document assume that scientific researchers, with the eventual support of the public authorities, have both the responsibility and the right to:

- work in a spirit of intellectual freedom to pursue, expound and defend the scientific truth as they see it;
- contribute to the definition of the aims and objectives of the programmes in which they are engaged and to the determination of the methods to be used, which should be sustainable from the human, social and ecological points of view;
- express themselves freely in regard the human, social or ecological value of certain projects and in the last resort withdraw from those projects if their conscience dictates so;
- contribute positively and constructively to the fabric of science, culture and education in their own countries, as well as to the achievement of national goals, the enhancement of their fellow citizens' well-

being, and the support of the international ideals and objectives of the United Nations. [2]

In the documents adopted by UNESCO, one can also find statements regarding various specific fields of scientific research, such as the Universal Declaration on the Human Genome and Human Rights from November 11, 1997. This declaration specifies that no research or research applications concerning the human genome, in the fields of biology, genetics and medicine, should prevail over the respect for the human rights, fundamental freedoms and human dignity of individuals or, where applicable, of groups of people. The document states that research on the human genome and the resulting applications open vast prospects for progress in improving the health of individuals and of humankind as a whole, provided that such research fully respects human dignity, freedom and human rights, without allowing any form of discrimination based on genetic characteristics to occur. The implementation of research, including applications in biology, genetics and medicine, concerning the human genome, shall seek to offer relief from suffering and improve the health of individuals and of the humankind as a whole. [3]

The value neutrality is concerned with the adequate interpretation of the nature of the processes researched and not with the application of the research results. It is namely this last phase – the application of the results that has always been known to have a specific load value. This is because an application of the results of scientific research that does not consider society's moral values might represent a risk for people's wellbeing. Nowadays, the ethical-axiological relevance of the science has become an important condition for the very existence and development of the humankind, to preserve life on Earth [4]. It seems that the declaration of value neutrality of science would lead to some imminently dangerous trends in the development of human society. In the age when it became obvious that the development of science and technology is wreaking environmental pollution, creating weapons of

mass destruction etc., calls are made to scientists urging them to enhance accountability for the use of the results of their research [5].

Nowadays, scientists are required to have a greater awareness of the possible risks that their discoveries can introduce and to consider the intentions of the organisations that fund their research activities. Does this mean that the researcher's freedom is constrained? One of the problems that arise concerning the process of producing scientific knowledge is the issue of a scholar's freedom of scientific research. Thus, there is a need to study the relationship between a scientist's freedom and his responsibility in the process of acquiring scientific knowledge. Like in all the spheres of his life, a man is free to act but does also have certain responsibilities for the results of his action. The same idea applies to the world of scientific research.

Sometimes, a scholar might be able to anticipate the character and extent of the possible dangers of using the results of his scientific knowledge. However, this is not always possible. Alfred Nobel could not have known that the dynamite he had discovered would serve for military purposes. It seems quite difficult to anticipate such consequences in the areas of fundamental research. A scholar might not be able to predict the precise way in which the results of his effort will be used in the future, mainly because the social values are changing: something that is considered to be a positive accumulation of knowledge during the research could become something worrying and risk-imposing at the stage of applying this knowledge in the context of the real world.

The freedom of scientific research is an important cultural value. However, in the realities of today's world, the freedom of science is restricted by the requirement to respect the human rights as well as by the requirements regarding the protection of animals and the protection of the environment. On the other hand, without freedom, the science cannot accomplish its main goal and cannot fully manifest its essence. Therefore, freedom of scientific research is usually supported by the free access to sources of information; the free

exchange of ideas; non-interference of the politics in the activities of research and development and innovation; un-censoring of the scientific products. The physicist Enrico Fermi points out the importance of freedom in scientific research in the following quote: *"Experience shows that, somehow, the random personal activity in science, caused by the fact that each scholar freely elects his own research object, represents a guarantee that none of the major lines of research will be omitted"* [6]. Restrictions of certain directions of research may not be beneficial to science. Still, one cannot always accurately predict the effects of applying the results of his/her scientific research.

Conclusions

The social responsibility of the scholar comprises two types of responsibility: inner responsibility, which is expressed by his attitude towards science as a discipline exploring the world around, the attitude towards his profession and his colleagues, and – another type of responsibility – the external accountability, which also refers to the impact of the knowledge gained through research on the society.

Regarding economic research, we believe that academic economists should also be responsible for the social consequences of their research. The results of their work have an impact on the economic and political systems, either by action or by omission. If economists provide the wrong recommendations, this can generate big social costs due to the resulting misguided policies. If economists are not concerned with the political implications of their work and if they are not prepared to engage in the field of policy making, then the representatives of various lobby groups will do it to the detriment of the entire society. Therefore, academic economists should be aware that there is a public need for their scientific research and political expertise. However, asking scientists to be socially responsible is not an easy affair. Some researchers even consider this attempt dangerous. L. Wolpert suggests *"There is, in fact, a grave danger in asking scientists to be more socially responsible - the history of eugenics alone illustrates at least some of the dangers. Asking*

scientists to be socially responsible, other than by being cautious in areas where there are social implications, would implicitly be to give power to a group who are neither trained nor competent to exert it.” [7]

Nevertheless, we do need to implement ethics into the scientific realm and to require that scientists follow ethical principles and are socially responsible. This must be done for the development of science, for a better world, where science and technology are used in socially responsible ways in order to support humanity’s efforts to survive.

Frank Sherwood Rowland – the Nobel Laureate in Chemistry who warned of the depletion of the Earth’s ozone layer, made the following declaration during a White House climate change roundtable in 1997: “Is it enough for a scientist simply to publish a paper? Isn’t it a responsibility of scientists, if you believe that you have found something that can affect the environment, isn’t it your responsibility to actually do something about it, enough so that action actually takes place? (...) If not us, who? If not now, when?” [8].

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Factori și premise ale
avansării procesului de
integrare europeană
în abordările
filosofilor
Constantin Noica și
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Factors and premises of the
advancement of the process
of European integration in
the approaches of the
philosophers Constantin
Noica and Jurgen
Habermas

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Abstract. *The author analyses the main factors that determine the process of European integration:*

- *Economic integration that enhances the security of states, their sustainable development, also solving their environmental problems;*
- *The media, which provides a platform for dialogue and contributes to forming a European identity;*
- *Building a common cultural area, encouraging the diversity and the cultural dialogue.*

In this context, the author evokes the reflections of Constantin Noica and Jurgen Habermas on the role of the culture, philosophy and religion in process of European integration.

Keywords: *cultural diversity, European identity, common cultural area, economic integration, constitutional patriotism, globalisation, European Union.*

Introducere

Considerăm că în construcția unei Europe unite, un rol deosebit de important și chiar strategic le revine următorilor factori:

- Dezvoltarea procesului de integrare economică europeană, fapt apreciat de Tratatul de la Maastricht, ca fiind unul „progresiv și ireversibil”. Anume, integrarea economică constituie suportul unor mai bune politici în asigurarea securității statelor, a soluționării problemelor ecologice, a dezvoltării durabile etc.
- Mass-media, pentru că poate să ofere o platformă de dialog și, din aceste considerente, politicile Uniunii Europene privesc mass-media drept „manifestări ale praxisului cultural care integrează chestiuni legate de identitate”. Mass-media și cultura constituie terenul, în care se poartă discuții aprinse raportate la identitate, fie ea europeană, fie de altă natură. Mijloacele de informare în masă sunt esențiale în formarea unei identități europene, în dobândirea legitimității, în general, și în continuarea integrării politice europene, în particular.
- Construcția unui spațiu cultural comun, care să păstreze diversitatea structurală a culturilor europene, dar care să edifice treptat, în ordine funcțională și practică, prin programe educaționale și strategii de schimb intercultural,

o convergență în planul valorilor și al mentalităților. De rând cu integrarea economică și politică, care au atins anumite cote de realizare, facilitarea accesului cetățenilor la cultură; promovarea culturii (culturilor) europene în lume, aceasta fiind o modalitate eficientă de fortificare a relațiilor externe ale Uniunii Europene; sprijinirea culturilor drept catalizatori ai creativității; încurajarea diversității și a dialogului intercultural, precum și întărirea sentimentului de apartenență la o Comunitate europeană, - sunt elemente indispensabile ale procesului integrării, pași care pot revitaliza acest proiect sub aspectul calității și intensității.

Jean Monnet, unul dintre „părinții fondatori” ai Uniunii Europene, a spus că dacă ar fi să o ia de la început, ar începe cu cultura.

Pentru a aprofunda cele menționate, vom analiza reflecțiile a două mari personalități - C. Noica și J. Habermas cu privire la unii factori și premise ale avansării procesului de integrare europeană.

Constantin Noica (1909-1987), în lucrarea *Modelul cultural european*, scrisă între anii 1986-1987, definește cultura ca fiind domeniul ce înglobează următoarele: „demersuri și realități spirituale (...) religii, sisteme de cunoștințe, rânduieli sociale” [1]. Cu referință la cultura și spiritul occidental, filosoful român deosebește mai multe „regiuni” [etape] istorice: Evul Mediu, Renașterea, Modernitatea clasică și barocă, Modernitatea iluministă și romantică, Modernitatea târzie și actuală.

C. Noica încearcă să explice destinul culturii occidentale, pornind de la raportul instituit între regulă și excepție - expresia desacralizată a raportului între Unu și Multiplu - Divinitate și creație. La C. Noica, raportul cu divinitatea este manifestat în fiecare tip de cultură, varianta laică fiind asocierea Unului cu conceptul de Lege sau Regulă, iar Multiplului - cu conceptul de Individual. El caracterizează, prin prisma acestui raport, mai multe culturi: culturile totemice, monoteiste, panteiste, modelul grec etc.

Însă, pentru cultura europeană, Noica consideră caracteristic raportul *Unu Multiplu*:

“Unu multiplu...îl vom atribui culturii europene și el reprezintă, cu structura la care duce, precum și cu modelul ce se constituie și se afirmă în istorie, raportul care a făcut cu puțință miracolul european. Excepția devine acum regulă. De rândul acesta, nici Unul nu primează, nici Multiplul, ci Unu este de la început multiplu, distribuindu-se fără să se împartă (...) În cultura europeană, Unu dă unități, de fiecare dată autonome, ca monadele. Cultura europeană va fi acest ansamblu de unități, ce se diversifică, la rândul lor, întocmai Unului prim.” [2] Observăm, în aceste rânduri, importanța pe care o atribuie Constantin Noica creștinismului în edificarea culturii europene, considerându-l una din premisele esențiale ale modelului cultural european, de rând cu filosofia greacă și dreptul roman, dar putem întrevădea aici și o argumentare a ideii exprimate în motto-ul Uniunii Europene - Unitate în diversitate.

Structura culturii o constituie valorile, deoarece „Orice cultură este, în fond, un sistem de valori”, menționa Noica. Filosoful român accentuează însemnătatea culturii grecești, care „a practicat conștient valorile cele mari (...) adevăr-bine-frumos, sub chipul cunoașterii dezinteresate a adevărului, al desăvârșirii individuale și colective prin bine, al contemplării frumosului. Ulterior, cultura europeană „le-a gândit ca atare, le-a văzut varietatea și le-a oferit, spre deosebire de greci, tuturor semințiilor pământului, îndreptățindu-ne să spunem că și-a trecut structura ei într-un sistem de valori, respectiv într-un model care să fie singurul de până acum exemplar.” [3] Așadar, cultura europeană aduce primatul valorilor autonome, precum și conștientizarea lor teoretică, menționa Noica.

Conform gânditorului român, cultura europeană se caracterizează prin afirmarea eului, prin ieșirea din gloată, prin aspirația către reafirmarea persoanei. Evidențiind specificul culturii europene, C. Noica scria: „Dacă ar dispărea cultura europeană, încă ar putea supraviețui ceva din ea: modelul pe care l-a dat lumii istorice. El ar reapărea drept conștiința de sine a oricărei alte culturi depline — în cazul că ar mai fi vreuna. Până la cultura europeană, toate celelalte știute nouă au fost parțiale: au cunoscut numai un colț de Terra, oricât de întins ar fi fost

el, și au dat socoteală numai de versiunea lor a spiritului. Singură cultura europeană, cel puțin din perspectiva noastră, după ce a încercat felurite variante (bizantină, romano-catolică, italiană, franceză, anglo-saxonă, ultimele două pe un fond germanic), s-a deschis, prin conștiință istorică, înspre toate culturile știute.” [4]

C. Noica e încrezător în capacitatea culturii europene de a da arhetipul oricăror altor culturi, deoarece „cultura europeană nu doar a asimilat ce era valabil în alte culturi (în primul rând, experiența de artă și de limbă, uneori și de gândire), dar și-a extins ea valorile morale, ideologice, economice și de civilizație peste ele.” Misterul culturii europene „este de a nu avea mister, deci, închidere în sine,” ... „rațiunea ei filosofică, metodele ei științifice în frunte cu matematicile, valorile ei morale și politice (demnitate umană, libertate, ideal de echitate) stau la îndemâna oricui.” Deci, caracteristica culturii europene constă, în primul rând, în manifestarea ei ca o cultură autentică și deplină, ca structură istorică deschisă.

De asemenea, cultura europeană e creatoare: „[ea] trebuie, deci, să creeze noul permanent, spre a fi. E felul ei de a fi. Nimic nu pune capăt și țintă spiritului creator; fiecare creație naște altele, așa cum răspunsurile culturii europene nasc alte întrebări. O cultură este autentică în clipa când trezește în ea izvoarele neîncetatei reînnoiri. Ea nu se poate îmbolnăvi de senectute, fiind în condiția izvorului, nu a bălții stagnante.” [5]

Din cele menționate, observăm că, în timp ce unii cercetători vorbesc despre moartea culturilor, despre sfârșitului culturii europene, C. Noica elogiaza cultura, manifestă încredere în potențialul culturii europene, în viitorul ei creator, încheindu-și lucrarea cu îndemnul:

„Totul nu e încă spus. Să așteptăm kairós-ul următor. Merită să încercăm” [6].

Reflecțiile filosofului german Jurgen Habermas (n. 1929) despre Europa, despre Unificarea europeană se centrează, în primul rând, asupra „integrării sociale și culturale”, prin sesizarea „problemelor-consecință” ale economiei mondializate.

El se pronunță asupra posibilității instaurării unei „democrații postnaționale”, delimitând patru probleme cruciale care trebuie soluționate.

Problema ocupării forței de muncă.

Pe de o parte, „ocuparea deplină” nu mai funcționează ca scop politic, dar, pe de altă parte, reforme profunde nu mai sunt realizabile rămânându-se în granițele statului național.

Problema corelării „eficienței pieței” și a „dreptății sociale”. Pe de o parte, piețele lărgite se dovedesc eficiente din punct de vedere economic, dar, pe de altă parte, rămâne nesatisfăcut dezideratul dreptății sociale, fără o intervenție a statului național.

Problema competențelor Uniunii. Pe de o parte, Uniunea Europeană are nevoie de competențe de decizie, care sunt, inevitabil, pe seama competențelor statelor naționale existente, dar, pe de altă parte, pierderea de competențe de către statul național ar putea antrena reducerea posibilităților de a întreprinde politici sociale.

Problema formării unei „identități colective”, dincolo de granițele statelor naționale: pe de o parte, este nevoie de formarea unei „identități colective” dincolo de granițele naționale și de crearea, pe această bază, a condițiilor de legitimare pentru o „democrație postnațională”, dar, pe de altă parte, până acum democrațiile au rămas naționale.

Există mai multe opinii în vederea soluționării acestor probleme. J. Habermas este adeptul acelor care consideră că Europa trebuie să fie un stat federal; acesta ar fi punctul de plecare pentru instituirea unui regim al unei viitoare „politici interne mondiale”, bazat pe acorduri internaționale.

El subliniază neîncetat nevoia „formării democratice a voinței politice” drept condiție a unificării europene și a funcționării cu succes a

Uniunii. Astfel, filosoful german argumentează posibilitatea unei „*democrații postnaționale*”.

De asemenea, J. Habermas propune concepția „*patriotismului constituțional*”, care se alimentează din tradițiile culturale ale națiunilor și își are fundamentul în democrație și în drepturile umane. El opune concepția „*patriotismului constituțional*” concepției „*naționalismului*”, menționând noile condiții în care oamenii își constituie propria identitate. „*Concretismul*” tradițional al dreptului și moralei, constând în identificarea cu popoare, națiuni, comunități etc., deci cu incorporări localizate în spațiu și timp, cedează locul identificărilor inevitabil mai abstracte, cu reguli ale interacțiunilor, susține Habermas. Sub influența tendinței spre globalizare, a mișcării de unificare europeană, a pluralismului viziunilor, a realității multiculturalismului, are loc pierderea terenului de către vechiul patriotism, al identificării „*concretiste*”, adică cu un popor, cu o națiune, cu o comunitate. Soluția alternativă, propusă de Habermas, este „*patriotismul constituțional*”. E necesar, zice el, de a trece de la „*mândria națională*” și de la „*evaluări de sine colective*” la „*orientări valorice universaliste*”, menționând că ne aflăm în cursul „*formării unei identități postnaționale*”, ce schimbă profund conținutul identificărilor. E necesar de înțeles că: „*Unicul patriotism care nu ne înstrăinează de Occident este un patriotism constituțional - un patriotism devenit mai abstract, ce nu se mai raportează la întregul concret al unei națiuni, ci la procedee abstracte și principii*” [7]. Acestea vizează condițiile conviețuirii și comunicării între forme de viață diferite, ce coexistă egal îndreptățite – atât în interior, cât și în exterior.

Deosebit de importantă, în concepția lui Habermas asupra unificării europene, este teza, după care „*integrarea funcțională*” nu va fi suficientă pentru unificarea europeană: o „*integrare socială*” rămâne mereu indispensabilă. Iar „*integrarea socială*” nu va rezulta, nicidecum, dintr-o „*integrare funcțională, desfășurată prin interdependențele economice*”, ci va presupune acțiuni distincte la nivelul „*substratului cultural*”. Pentru aceasta, Habermas indică un șir de măsuri ce trebuie realizate: elaborarea unei Carte europene, a Constituției; punerea în mișcare a procesului

formării democratice a voinței politice; inițierea partidelor europene; deschiderea sferei publice europene; formarea mass-mediei transnaționale; evoluția spre elaborarea de reglementări europene etc. Astfel, se vor forma premisele ce duc spre o „*democrație postnațională*” și, ca prim exemplu al unei democrații dincolo de statul național – va fi noua Europă.

J. Habermas a pus direct problema formării identității europene, observând că „*procesul de unificare se izbește astăzi de pragul unei identități europene absente*.” – o „*identitate colectivă*” unde prevalează „*principiile dreptății*”, față de „*vreun destin al națiunii*”. El este încrezător că democrația nu e posibilă fără resurse culturale, iar educația pentru democrație are prioritate pe agenda democratizărilor.

Filosoful german accentuează și rolul religiei ca parte a dinamicii societății moderne din Europa. El susține că, în istoria europeană, Biserica și religia au jucat un rol esențial, și consideră că nici filosofia, în formele ei cele mai comprehensive și mai dezvoltate, nici chiar „*filosofia postmetafizică nu vor putea limita sau înlocui religia*”. J. Habermas se pronunță împotriva tentativei de a izola formele culturii unele de altele, menționând că, în condițiile actuale, odată cu globalizarea, e necesar de a face ca „*ideile filosofice (...) să comunice cu politica, arta și religia în mod neîngrădit*”. [8]

Totodată, trebuie să se producă schimbări importante și în promovarea religiilor. „*În societățile moderne, învățăturile religioase trebuie să se afirme în concurență cu alte forțe ale credinței și cu alte pretenții de adevăr. Ele nu se mai mișcă într-un univers închis, care este guvernat de adevărul propriu, considerat drept absolut... Orice confesiune trebuie să se pună în relație cu enunțurile concurente ale altor religii, precum și cu pretențiile științei și ale bunului simț secularizat, semipreștiințific*”, menționează Habermas [9]. Persistă amenințarea terorismului, atenționează el. O sursă a terorismului este „*fanatismul religios*”. Deci, și religia trebuie pusă sub controlul rațiunii. Ea trebuie să participe la promovarea „*libertății și toleranței universale*”. E

necesar, astăzi, ca învățătura despre drepturile omului să fie întregită cu învățătura despre îndatoririle omului. Filosoful german declară „fundamentalismele” – adică „revenirea la exclusivitatea atitudinilor de credință premodernă” – contraproductive și consideră că „Toleranța religioasă” determină evoluția în direcția unui „multiculturalism corect înțeles”.

Așadar, în viziunea lui J. Habermas, Uniunea Europeană este o viitoare Republică Federală a Statelor Europene, bazată pe principii legale comune, pe o cultură politică împărtășită la nivel supranațional în cadrul Comunității Europene, ce ar asigura consensul tuturor culturilor naționale în temeiul supremației suveranității popoarelor și a drepturilor umane.

Concluzii

Din cele analizate se conturează concluzia că integrarea europeană și formarea unei identități europene este un proces complex, multiaspectual și de durată, ce presupune o convergență între sentimentele naționale și cele europene, adăugarea de către fiecare stat-membru nou a unor elemente din identitatea sa națională la identitatea europeană, identitatea europeană fiind complementară identităților naționale ale cetățenilor europeni. Adoptând simboluri specifice: steag, imn, monedă unică, motto: „unitate în diversitate”, introducând cetățenia europeană, promovând valori comune, recunoașterea diversității culturale, toleranța față de diferențele de gen, religie, etnie etc., Uniunea Europeană avansează spre o mai bună conștientizare de către cetățeni, a apartenenței la comunitatea europeană, capabilă să creeze solidaritate, bunăstare și securitate atât pentru toți membrii ei, cât și pentru comunitatea mondială în ansamblu.

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The evolution of the classical and contemporary concepts within the socio-economic approach to life quality

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Abstract. *The author describes the evolution of the concepts of Life Quality (LQ), which is perceived as a socio-economic category. Starting from the economic doctrines of the 19th century, and then exposing the LQ concepts of the 20th century, the author arrives at the contemporary concept of LQ, expressed by the degree of satisfaction degree and social cohesion. The complexity of the notion of LQ and the absence of a universally accepted definition motivates this scientific endeavour, which identifies the main theoretical approaches to the concept. Thereby, the components and features of LQ are presented at doctrinal level and, in particular, the contemporary concept of LQ expressed through social cohesion at the levels of the individual, community and the society as a whole. The consequences resulting from the pluralist approach of the concept of LQ are shown at the level of public policy, stressing the importance of considering the two dimensions – social inequality/exclusion and social relations/social ties – to offer a complex view on the human society.*

Keywords: *life quality, human needs, living standards, social cohesion, social exclusion, social ties.*

In the contemporary economy, many enterprises of the countries in transition face a scarcity of qualitative labour, which is caused by migration of the population, especially from the rural areas, characterise by a low level of living standards and low motivation of employees. Human development is in a close relationship not only with human rights and living standards but also with human security, gender equality, environmental sustainability, according to the Millennium Development Goals.

The Republic of Moldova economy makes no exception to this chapter. In the context of transitioning to the market economy, human resource ought to be brought forward. The clear majority of local economic units is trying to increase the efficiency of the company by reducing the costs, especially those related to the staff: salaries, training etc. Still, this is an outdated attitude in the management of the personnel.

According to the opinions of the following scientists: A. Balasa, E. Burduş, P. Burloiu, Gh. Căprărescu, I. Ignat, I. Mărginean, C. Zamfir et al.(Romania), A. Bîrcă, A. Cotelnic, T. Dăni, D. Moldovan, A. Rojco, G. Ulian, V. Zbârciog et al. (R. Moldova), D. Cenzo, A. Robbins, P. Stephen, P. Drucker, S. Kermally, E. Schein et al. (USA), the key factor of success of an investment in the enterprise is the man and managerial effort directed to this end. We agree with this opinion and recommend a careful selection of staff that would focus more on skills and personal qualities rather than on the presence or lack of the experience in the field [13; p. 65-68]. We would like to mention that the interest for the concept of *human life quality* (LQ) is a rather old one and representatives of different generations of specialists in various fields: economists and philosophers, sociologists, physicians, technicians, etc., sought to explain the essence of LQ from different points of view, in order to analyse mostly historical stages of formation of theoretical concepts bordering the notion of life quality.

Thus, M. Friedman, a Nobel laureate, being a defender of the human freedom, which is expressed by the phenomenon of the private market economy, ignored the need to achieve social justice and stability. He believed that, for

most people, human freedoms are simply unattainable, being reserved for specific groups of individuals. Friedman's concept has been applied in multiple countries, specifically in Chile, Argentina, Brazil, Israel tacitly and partly in the US and England, but this failed to deliver the desired outcome [2, p.171-172].

The great ancient philosopher Aristotle in his work "Politics" wrote: "*True happiness of a human life lies in the free development of his talents.*", which is consistent with Goethe's statement from his work "Wilhelm Meister": "*Who is born with a talent, born for that talent, shall find in this the most beautiful form of existence.*" [paraphrased].

The representatives of the neoliberal school, including Friedrich von Hayek – Nobel Prize laureate in economics – emphasised the state's role in the economy and in the personal life of each individual. Friedrich von Hayek was committed to an active state within the rule of law, one that would create the legal framework for the competition between economic agents and provide the necessary services to the society, including public order, national defence etc. In this regard, he stated that "*A real competitive system requires, like any other system, an intelligently designed and continuously adjusted legal framework. Even the most essential conditions for its correct operation, the prevention of fraud represent a significant and by far not accomplished goal of the legislative activity*" [2, p. 168-169]. It states that freedom and the rule of law are fully compatible. According to the authors mentioned above, there is no incompatibility between freedoms, order in society and law enforcement [2].

If we follow the genesis and evolution of the human economy, we can observe that values have always been created by man for man and the only being, like many researchers appraised, endowed with rationality is the creator of everything on earth. Nowadays, profound transformations generated by the scientific-technical and ecological process and the emergence of new systems of economic activity undermine the pillars of the old economic system, transforming the life of the individual, family environment, business, politics, morality, placing the economy on the verge of the most

profound changes – on the trend of a sustainable economy that would ensure a decent standard of living and life quality. Let us examine some opinions of the contemporary scientists' on the concept of life quality. Here is how the distinguished Nicholas Georgescu-Roegen (1982) appreciated the human species:

"There is an economic myth: if a man as an individual is mortal, the human species, however, is immortal" [17, p.44]. So, one can tell that the *continuous* improvement of the labour resources, the system of education and training in correspondence with the requirements in economic development, could be a fundamental direction of the strategy aiming to strengthen the market economy of the Republic of Moldova.

Abraham Maslow carried numerous studies on the motivations of human behaviour. In 1943 he published the paper entitled "A Theory of Human Motivation", outlining the needs theory, known as the "Maslow's hierarchy of needs". The theory is valid today, with only a few changes and serves to understand the incentives and motivations behind human actions [19]. According to Maslow, we are all motivated by certain needs – an innate characteristic. The scholar shows this as a pyramid with five levels, dividing them into five categories: physiological needs, security needs, human needs for affiliation, appreciation needs and the needs related to self-realization [19, p. 370-376]. Needs are structured as a hierarchy in which their position depends on the degree of urgency and individual priorities. "*For our chronically and extremely hungry man, Utopia can be defined very simply as a place where there is plenty of food. He tends to think that, if only he is guaranteed food for the rest of his life, he will be perfectly happy and will never want anything more. (...) But what happens to man's desires when there is plenty of bread and when his belly is chronically filled? At once other (and 'higher') needs emerge and these, rather than physiological hunger, dominate the organism.*" [19]

In Table 1 we have attempted to follow the development of the concept of life quality between the 19th and 21st centuries using various research methods.

Table 1.
The evolution of approaches related to the concept of Life Quality between 19th – 21st century

Source: elaborated by the author [12, p. 7-24]

| Century | The developed concepts | Research methods | Results |
|----------------|---|---|---|
| 1 | 2 | 3 | 4 |
| <i>XIX</i> | A. Marshall in his work "The Principles of Economics" (1890) – the role of the state in regulating the wealth of the nation through the tax system and subventions. The <i>theory of the knowledge society</i> . | The method of induction. | <i>Determination of the roles of the state in the economy</i> |
| <i>XX</i> | In 1960, the American sociologist A. Schlesinger approached the notion of LQ from the perspective of one's individual socio-psychological perceptions. | The method of analysis and synthesis. | <i>Life quality – a socio-psychological concept</i> |
| | J. K. Galbraith claims that there is no perfect society. There will always be differences between various groups of the population in terms of life quality. "What matters is not the number of goods we have but life quality". | The method of qualitative analysis. | <i>Welfare – recognised as a component of LQ</i> |
| | The futurist B. de Jouvenal in 1967 was researching the role of the society as a dominant factor in assuring the welfare of an individual. | The method of analysis and synthesis; The induction. | <i>Determination of the role of economic growth in assuring LQ</i> |
| | R. Schalock's model (1996) describes life quality as a product of the following components: Material welfare, interpersonal relationships, personal development, spiritual and physical wellbeing, social appurtenance, self-realization, freedom of rights. | The comparative method | <i>LQ seen a complex category based on the freedom of rights and the level of human happiness</i> |
| | The Nobel Prize laureate Amartya Sen elaborated the concept of the "Index of Human Development", which became the basis of a global ONU program with the aim of estimating this indicator. | Quantitative and qualitative evaluation of the human factor | <i>The paradigm of human development as a factor in the economic growth</i> |
| <i>XXI</i> | In 2001, researchers from Toronto D. Rafael, R. Rebecca, I. Brown, T. Myerscough have studied the concept of life quality from the perspective of the endogenous factors: physical, psychical and spiritual dimensions of the human existence. | The method of deduction | <i>LQ as a socio-psychological concept</i> |
| | The Russian scientists I. Levada, J. Bestujev-Lada, N. Rimaşevskaia, V. Bobcow, N. Grigorieva, A. Subbeto, A. Vişnevskii, L. Zubova, T. Zaslavskaja have studied, between 2010-2015, the problem of evaluation and differentiation of life quality in various geographical regions of the Russian Federation perspectives of: human needs, minimal consumption basket, social exclusion problems, uncertainty of the economic growth etc. | The methods of deduction and induction | <i>LQ seen as a socio-economic category – the result of the fulfilment of the human needs</i> |

| | | | |
|-----|---|------------------------|---------------------------------------|
| XXI | In 2005, the Romanian researchers C. Zamfir, E. Zamfir, N. Lotreanu, I. Rebedeu, I. Marginean, G. Socol, A. Bălașa have defined the concept of <i>life quality</i> as the ensemble of physical, economic, social, cultural, political conditions of human life, the content and nature of the activities carried out by the individual, the characteristic of the social relationships and processes in which they are involved, the goods and services they have access to, the consumption models adopted, the lifestyle, the evaluation of the degree to which one's goals were accomplished, which causes the subjective states of satisfaction/unsatisfaction and happiness. [„Calitatea Vieții în România”, București, 2005]. | The dialectical method | LQ seen as a socio-economic concept |
| | Between 1980-1992 the corresponding member of the Academy of Sciences of Moldova A. Timuș has founded his research school in the field of <i>life quality</i> . During the transition period, A. Timuș and the UNESCO academician A. Cojuhari together with their disciples have carried out a series of researches on the level of life quality in the Republic of Moldova. | The dialectical method | LQ seen as a socio-economic concept |
| | In 2005 T. Danii, in his doctoral thesis on the subject of life quality, brings up the acute contradiction between the necessity of improving the life quality of the Moldovan population and the state's actual capability of ameliorating the socio-economic situation. | The comparative method | LQ seen as a socio-economic concept |
| | During the transition period, the National Institute for Economic Research, led by prof. A. Stratan, have carried out a series of research studies on the economic growth, welfare and life quality in the Republic of Moldova. | The complex method | LQ seen as a complex economic concept |

Most contemporary scientists, representatives of the American and European schools - Bruno Hansen [14], János Kornai [18], I. Mărginean [20], C. Zamfir [27], G. Ranis, F. Stewart, A. Ramirez [22], R.L. Schalock [25] - recognize that living standards can be treated as the degree of realization of the human needs, which ultimately depends on the purchasing power of the population. Therefore, LQ expresses not only the degree to which population's needs are satisfied but also its interests and values in all the dimensions of life: physical, social and spiritual.

In the 1970s, when the theoretical concept of economic growth emerged, it turned out that economic growth cannot guarantee the

social and demographic development of a country, *life quality* becoming a priority field in the scientific research. The widespread use of the concept of *life quality* was determined by the recognition that social progress is strongly related to the complex social phenomena, from the perspective of the organisation and stratification of the human society [17, p. 3-44]. LQ remains a topic of research in Western Europe where the way in which one perceives *life quality* is studied because it has been found that there is no direct relationship between one's level of material wealth and his level of life satisfaction.

Starting from the opinions mentioned above, we believe there is a reciprocal

complementary relationship between the level of life quality perceived by an individual and his material welfare. The latter influences population's state of mind, which is subsequently reflected in its behaviour within various fields of human activity.

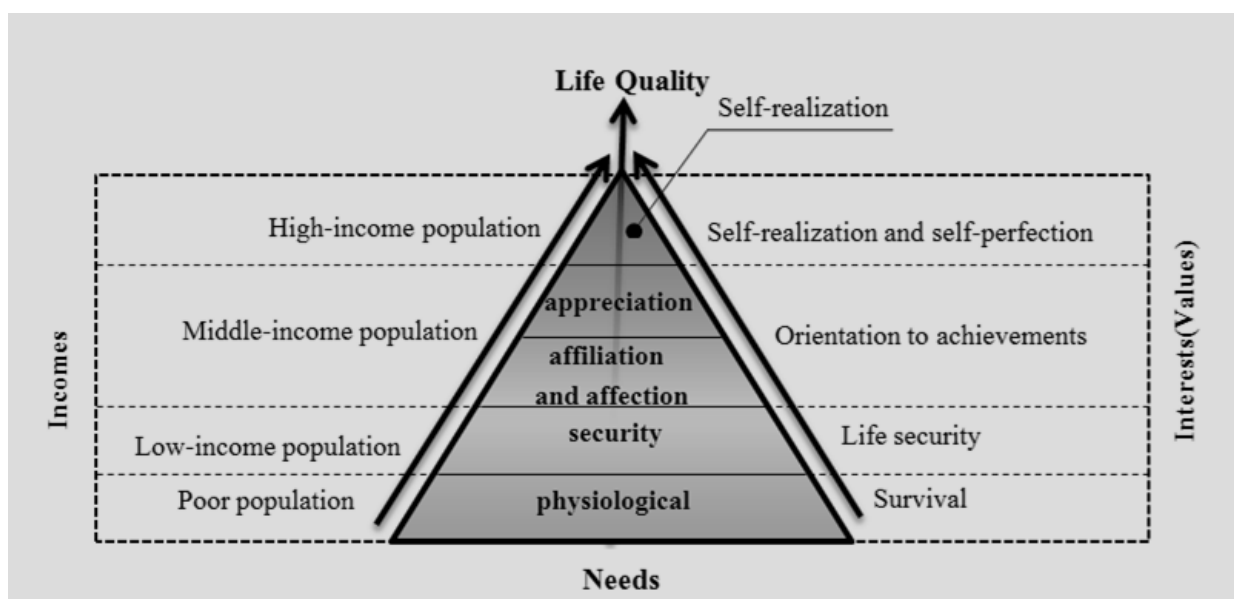
Already 30 years ago, the corresponding member of the Russian Academy of Sciences, N. Rimashevskaja stated that „*The standard of living, the lifestyle and the life quality - are outcomes of the social mechanism, which may partially intersect on different levels, but never find themselves in contradiction with each other.*” [29, p. 18]. We also agree with the Russian demographer A. Vishnevskii, who believes it is necessary to complement the macroeconomic indicators with elements that characterise the

human and demographic potential, the income levels and the population education levels, its predominant goals and values [30, p. 169].

We believe that the development of the human society in the social-economic aspect is a very complex multidimensional process that is expressed by the increase in the standards of living and life quality of the population. It is important to assess these indicators at the level of various social layers. One can perceive the development model of the human society through the systemic approach, which reflects the interdependencies between the living standard, fulfilment of the population's needs and life quality regardless of the country of origin, Figure 1.

Figure 1.
Model of interdependence between the living standards,
fulfilment of population's needs and life quality.

Source: elaborated by author [11, p. 36]



Note: The left side of the triangle characterises the standard of living based on income. The right side indicates the links between the human values (lifestyle) and the dominant behaviour of the individual. The motivational base of the triangle refers to the population's needs as determinants of the socio-economic activity. The dotted lines show levels of life quality for different social strata. The figure also illustrates the interdependence between population's living standards and their moral values, including the reasons for economic behaviour. The degree to which an individual is able to fulfil his needs and express his values in the society represents his level of life quality.

Conclusions

Thereby, summarising the current approaches to the concept of life quality which have been formed over the period of two centuries using different research methods, we have attempted to identify the interrelationships between the psychological, social and economic factors determining life quality as a socio-economic concept as shown in Table 1. We believe that the priority needs of the poor social stratum, in most cases, are oriented towards survival; those of the stratum with a low level of income - towards assuring optimal life security; those of the middle-income population - towards the fulfilment of affiliation and affection needs; those of the high-income stratum - towards self-realization.

We also think that the indicators of the living standards and *life quality* are in a close interrelationship and they are representative of the entire range of biological, economic and social forms of behaviour of the individual in the society, including his potential to have a family life, his ability to take care of himself and his family.

Summing up the examined aspects, we arrive at the following conclusions:

1. The essence of the socio-economic concept of *life quality* derives from the dialectical law of the unity between the form and the content

expressed in the *life quality* paradigm of the 21st century. This paradigm reflects the dual role of the human factor: on one hand, humans - as a labour resource develop and apply their skills in the process of producing goods, while on the other hand, they are also consumers. Consequently, the concept of LQ can be identified as an element that reflects the equilibrium of the human factor.

2. The perceived *life quality* reflects the degree to which an individual is satisfied with his life, from the perspective of fulfilling his human needs through exerting a social role, through participating in the production process, through his involvement in social and family relationships, as well as his satisfaction with the level of material welfare provided by the state.
3. While the standard of living of an individual is characterised by the social, economic, political and ecological conditions offered to him in a state, his perceived *life quality* also implies his subjective level of satisfaction with his performance and achievements.
4. The development model of the human society can be perceived through the systemic approach, which reflects the interdependencies between the living standard, fulfilment of the population's needs and *life quality* regardless of the country of origin.

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New ecological approaches in contemporary economic thought

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Abstract. *Authors start with the idea that environmental resources are an integral part of the economic resources and are becoming scarce, causing the environmental issues to become part of the economic research. Consequently, the modern economic concepts need to be supplemented by the ecological ones: authors approach three recently emerged concepts related to this sphere: circular economy, green economy and blue economy. A close examination of their features leads to the conclusion that they can be integrated into a distinct synthetic approach that the authors have named the “econological approach”, which differs from the traditional economic approaches in its purpose, priorities and periods of manifestation.*

Keywords: *circular economy, green economy, blue economy, econological approach, economic and ecological circuit.*

Introduction

Economics is concerned with the optimal allocation of the relatively scarce economic resources. As 40% of the economic activities rely on products and processes generated by the environment, environmental resources became an integral part of the economic resources. The interaction between nature and society reached a turning point when humankind had sufficiently advanced towards the planetary boundaries of existence. According to Rockström’s research [5], humankind has already exceeded the 3 out of 10 planetary boundaries of existence: loss of biodiversity, climate changes and the manifestation of the azote cycle. This state of affairs determines a deepening of the multidimensional ecological crisis in the following fields:

- provision of non-renewable energy resources;
- food security because of insufficient arable land, climate changes and the genetically modified agricultural products;
- provision of quality drinkable water in many regions;
- maintenance of the oxygen balance because of abusive land clearing;
- preservation of the biodiversity as there is a major threat of a new global extinction.

The irrational and excessive usage of the natural resources leads to an increased ecological impact in relation to the global biocapacity and the increasing opportunity costs resulting from the non-re-usage of waste. Environmental degradation losses are estimated to 7 trillion USD annually. Thus, there is a tight correlation between the ecological and the economic issues.

Fundamentals

Theoretically speaking, the interaction between economy and ecology manifests itself in the transition from the model of circular economic flows to the economic and ecological circuit. Therefore, traditional macroeconomics analyses the economic system from the perspective of production activities, exchange and consumption of goods and services and shaping it as a real flow of goods and factors of

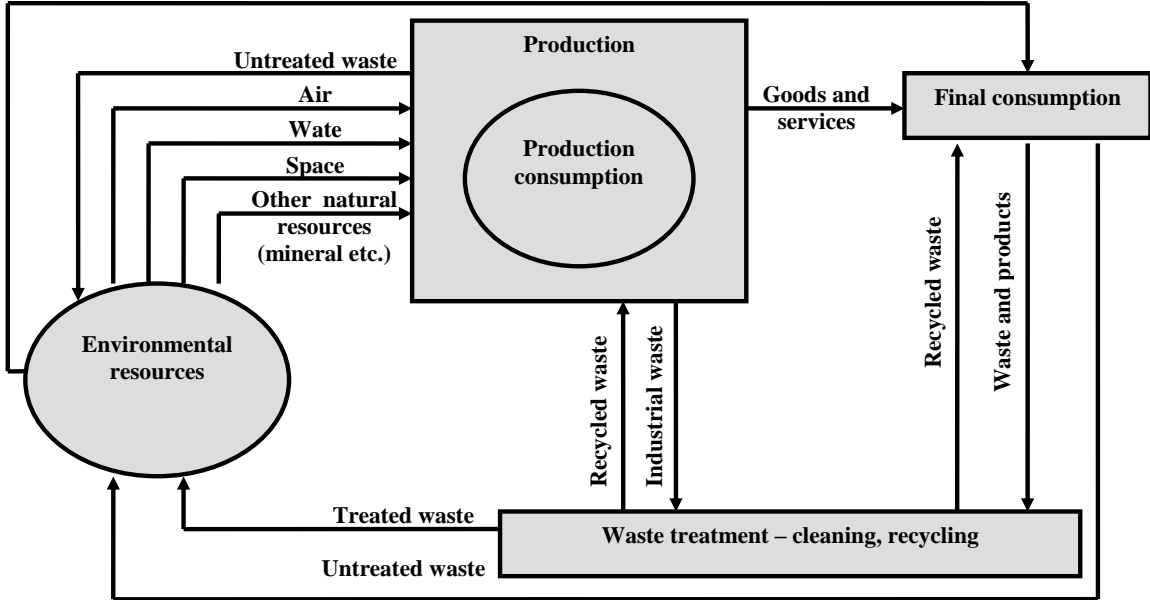
production and as a monetary flow of earnings and spending.

According to this approach, the economy is viewed as a closed, self-sufficient system. But in reality, economic activity *relies* on the natural

resources, and, in its turn, has an impact on the environment through pollution and the management of waste. Consequently, it should not be looked at as an isolated and self-regulating system, but as a subsystem of a larger system, - the ecosystem -, depicted in figure 1.

Figure 1. The economic and ecological circuit

Source: [4, p.74]



In economic thinking, this change has generated new concepts related to economy and ecology, the most important of which are the following: the concept of *circular economy*, the concept of *green economy* and the concept of *blue economy*.

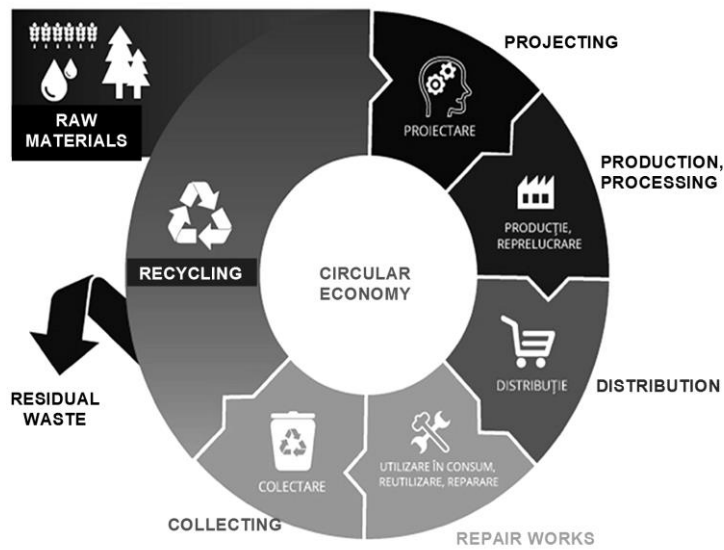
The concept of circular economy

The scarcity of non-renewable resources and an increasingly volatile nature of their prices call for a reduced consumption of the raw materials. This idea is developed in the concept of circular economy, which is conceived as an economic system of exchange and production inclined to increase the efficiency of using the resources and decrease the impact of production on the environment at every stage of the product’s life cycle.

The concept of the circular economy was inspired by M. Braungart and W. Donough’s research and further developed by the members of the Ellen MacArthur Foundation, carried out in the annual reports “Towards the circular economy” (Vol. I -2012, vol. II – 2013 and Vol. III – 2014). This concept ensured the transition from a linear approach to the economy (extraction – production- consumption –waste) to a circular and optimised approach (Figure 2). Such an economy implies a dramatic reduction in the use of chemical materials and opts for the use of renewable materials to ensure a full recycling of the products. The report “Towards the Circular Economy” states that applying a circular economy could generate savings in the costs of the production materials worth 520-630 billion USD [6, p.7].

Figure 2. Mechanism of circular economy functioning

Source: [7]



There are three major policies that can be applied in order to put the circular economy into practice:

- encouraging research and innovation to develop economical technologies for the usage of raw material;
- applying the principle: “the polluter pays”;
- changing the consumption and production patterns.

Because this model of economy can yield enhanced competitiveness through the reduced usage of raw materials, implying lower production costs, and through the creation of new, highly qualified workplaces, it has been acknowledged and applied by international economic institutions, “The Roadmap to a Resource Efficient Europe” [8], elaborated by the European Union, serving as a proof of that.

The concept of green economy

The concept of the green economy was put forward by international institutions (OCDE, PNUE, OIT, and BM) and applied after the international conference “Rio + 20” held in 2012. Being plainly defined as a source of welfare and social equity combined with a considerable reduction of the environmental risks and of the

ecological deficit, the above-mentioned concept, theoretically, relies on three basic axioms:

- An unlimited extension of the process of production in a limited area is impossible;
- The satisfaction of countless needs by limited resources is impossible;
- Everything on the face of the Earth is continuously interacting.

Therefore, the conclusion supported by the proponents of this concept is as follows: sustainable economic growth is impossible; there is only room for sustainable economic development, based on policies and investments in eco-technologies that will diminish the dependence of the economic growth in the currently intensive consumption of raw materials and energy. This is because the cleaning costs do not exceed the pollution costs. The publication “A guidebook to the green economy” [9] depicts the conditions, mechanisms and instruments of the policy of green economy (Table 1). Experts claim that the “green” script, for the world economic development, could ensure, by 2050, an increase of 16% in the world real GDP and a 14% increase in the per capita GDP, as well as reducing the world consumption of energy by 48% in comparison with the non-sustainable

development patterns [10, p.4]. This growth cost is estimated to 1.3 trillion USD annual investments in eco-technologies involved in such activities as agriculture, pisciculture, forestry, the public utility sector, industry, transportation, tourism, waste management and management of the water resources. We believe that this concept is valuable and applicable both globally and locally. It represents a real solution

for increasing the efficiency of using the natural resources, diminishing the degree of dependence on the imported energy resources and involving the unemployed into eco-activities. However, its implementation is very costly. This determined the emergence of an alternative concept - the concept of blue economy.

Table 1. Framework of policies concerning green growth for the developing countries
Source: [1, p.11]

| | |
|--|---|
| 6 conditions to enable green economic growth | Restructuring public expenditure |
| | Supporting education and professional development |
| | Applying a more efficient legislation |
| | Having special requirements for rights on resources and land |
| | Creating certain conditions to enable exchange of experience |
| | Enabling companies to integrate sustainable and equitable practices as soon as possible |
| 4 mechanisms to integrate green growth | Reconsidering environmental costs |
| | Assessing the environment strategically |
| | Setting up Boards for sustainable development |
| | Greening accounting |
| 8 instruments of the green growth policy | Certifying sustainable production |
| | Reforming the subsidy system |
| | Making payments for environmental services |
| | Adopting a tax reform on environment |
| | Investing in green energy |
| | Setting up green social entities |
| | Making sustainable public acquisitions |
| | Encouraging green innovation |

The concept of blue economy

The concept of the blue economy was put forward by Gunter Pauli – the founder of the initiative “Zero emissions”. His work “The Blue Economy: 10 years, 100 innovations, 100 million

jobs” [11] emphasises a number of features that distinguish the blue economy from the green economy. Firstly, the “green” solutions are designed only for the very few and very rich. Secondly, the green economy calls for subsidies

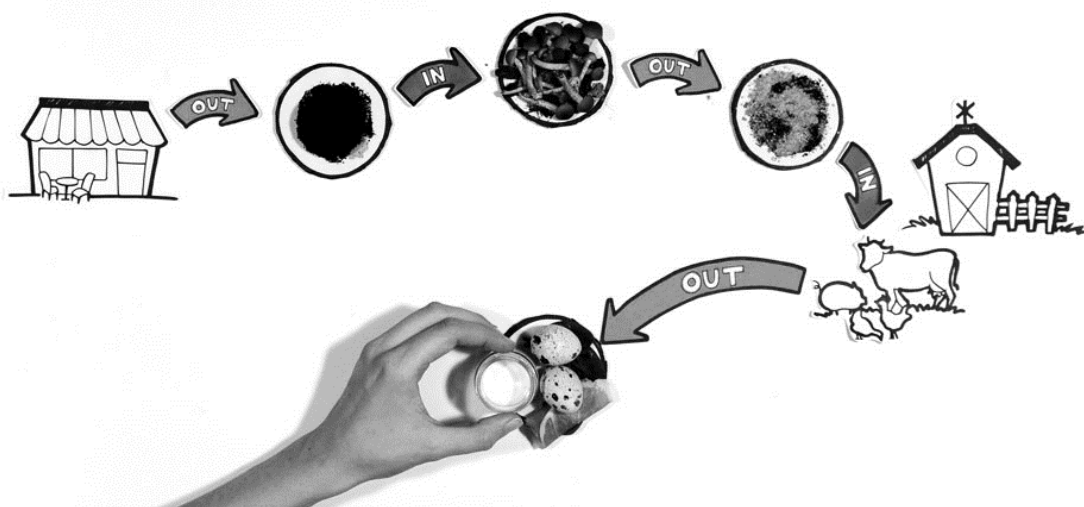
that make it expensive and non-competitive, ensure smaller profits for investors and compel consumers to settle larger bills.

The blue economy does not require subsidies, which are a very important feature under budget deficits that many developed countries must deal with. Moreover, it opts for lower prices on high-quality products. As lower prices for high-quality products can be reached only by using new technologies, the proponents

of the blue economy encourage extensive innovation and development of the entrepreneurial spirit. Pauli described and analysed 100 innovations related to the management of natural resources. case study no.3 can serve as a relevant example: "Only 0,2% of the biomass used in a cup of coffee is consumed; the rest of it is thrown away" (figure 3).

Figure 3. The model of the blue economy depicted by Gunter Pauli

Source: [3]



In this case, a company with 200 employees located in Holland collects garbage from coffee shops and subsequently uses it in a mushroom farm. Thus, growing mushrooms on oak wood, which is an expensive process, is replaced with growing mushrooms on a coffee bed that offers the necessary wood mass and fosters growth. The caffeine from coffee waste enables mushroom maturity in 3 months rather than the commonly accepted 9 months, which considerably decreases the price of this luxury product. We must consider the fact that the raw materials are free of charge and the coffee shops pay for this "waste disposal ". This innovation converts Methane into CO₂, provides food safety and generates 50 million places of work [2].

To assess the extent of using eco-innovations, a score for every country within the

European Union is calculated based on data related to five different aspects: the contribution of eco-innovations, activities related to eco-innovation, the products of eco-innovation, the efficiency of the resources and the socio-economic outcome. We believe that underdeveloped economies, including that of the Republic of Moldova, must convert these theoretical notions into *actions* and *plans of activity* at the micro level as well as into *strategies* and *environmental policies* at the macro level with the view to ensuring a sustainable ecological transition. These three concepts make up a new theoretical approach which can be named - the "econological" approach. This approach differs from the traditional economic approach in the following key aspects (Table 2):

Table 2. Distinctive features of the traditional economic approach and the ecological approach*Source: Authors' synthesis*

| Criteria | Economic approach | Ecological approach |
|-----------------------|---|---|
| Purpose | Optimal allocation of relatively scarce economic resources to ensure economic balance | Determining the optimal scale of activity to ensure anthropocentric optimum |
| Priority | High level of economic efficiency | Ensuring sustainable human development |
| Length of time | Short and medium- term focusing | Long-term focusing |

Conclusions

The concept of *circular economy* implies the creation of an economic system that is inclined to increase the efficiency of using resources and decrease the impact of production on the environment at every stage of product's life cycle. A comparative analysis of the concepts of "green economy" and "blue economy" emphasises a fundamental difference in the approach of the matter at stake. The supporters of the idea of a green economy claim that continuous economic growth is impossible due to limited space and resources. They believe that sustainable development should be supported by the state authorities through the instruments

of economic policy and through a heavy investment in environment-friendly technologies and "green" jobs. By contrast, the representatives of the blue economy believe that economic growth can be sustained through the encouragement of innovations and the development of the entrepreneurial spirit: people themselves, and not the state, can create their own sustainable future. A synthesis of these two innovative concepts generates the idea that they can be structured within a new distinct theoretical approach – the "ecological approach". The content of this approach in terms of policies targeting the protection of the natural environment justifies its inclusion in the field of normative analysis.

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Problemele actuale ale evidenței efectivului populației în Republica Moldova

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Current issues regarding the maintenance of population records in Republic of Moldova

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Abstract. *The population is the most dynamic and sensitive component of the environment. More than any other component of the noosphere, the population is subjected to the impact of both internal (demographical) factors, as well as external factors, such as economic, political, social, natural etc. Thus, the population system has become an object of study for many scientific disciplines since ancient times. The dynamic nature of this system is investigated through intense research revealing considerable transformations in the size of the population, in its structure and repartition and other aspects of this system. In the 20th century, demographical studies extensively developed and a whole system of branches within the science of demography emerged. Several demography schools appeared in this period. This article brings into discussion several theses that, in authors' opinion, determine the performance of demographical studies in the Republic of Moldova.*

Keywords: *population records, system of population, population size and structure, population migration, the State Register of Population.*

Introducere

Populația este cea mai dinamică și mai sensibilă componentă a mediului ambiant. Mai mult decât oricare altă componentă a noosferei, populația este supusă impactului și influenței atât a factorilor interni (demografici), cât și a factorilor externi, de natură economică, politică, socială, ecologică ș.a. Astfel, din cele mai vechi timpuri, sistemul populației a devenit obiect de studii al multiplelor științe. Astăzi, dinamismul acestui sistem este reflectat nu numai de transformările semnificative în efectivul, repartizarea și structura populației, dar și de intensa dezvoltare a studiilor cu privire la diverse aspecte și componente ale acestui sistem.

În secolul XX, studiile demografice au cunoscut o dezvoltare amplă. În această perioadă, s-a format un sistem de științe demografice și s-au dezvoltat mai multe școli demografice. Totuși, în prezent există mai multe probleme care necesită rezolvare. Astfel, în articol sunt relevate unele probleme, care, în opinia autorilor, determină calitatea studiilor demografice în Republica Moldova.

Din istoricul studiilor demografice

Cunoștințele demografice sunt atestate în istorie foarte devreme. Bunăoară, în Sparta

antică (sec. VIII, î. Hr.), cunoștințele demografice se foloseau pe larg în procesul de administrare a statului. Multe legi erau bazate pe ideea menținerii evoluției populației: una din legile lui Lisgurt din Sparta (sec. VIII p. Hr.) stipula că „bărbații erau obligați să se căsătorească până la vârsta de 35 de ani, altfel, erau pedepsiți [3, p.10]. O altă lege, din același set, prevedea că „grija față de copii trebuie să înceapă cu grija față de mamă. Femeia trebuie să fie sănătoasă și veselă. Numai atunci copiii vor fi voinici și sănătoși” [3, p.11].

De fapt, populația devine obiect al cercetării din cele mai vechi timpuri. Începând cu primele descrieri în științele istorice, filosofice, geografice, se face referință la populație și la spectrul larg de activități ale acesteia. Cea mai veche lucrare, care s-a păstrat până în zilele noastre, este lucrarea lui Herodot, intitulată „Istorie” [2], scrisă în secolul IV î. Hr. Lucrarea comportă caracter istoric pentru istorici, caracter geografic – pentru geografi. Și filosofii recurg cu succes la această lucrare. Istoricul B. G. Boruhovici, analizând lucrarea lui Herodot, subliniază că „*Herodot este recunoscut nu numai ca „părinte al istoriei”, dar și „fondatorul geografiei și etnografiei* [2, p.490] trăgând concluzia că „*istoria este geografie, iar geografia este istorie.*” Dar pentru studiile de demografie istorică, lucrarea lui Herodot constituie un adevărat tezaur de informație raportată la popoarele vechi, inclusiv despre activitățile populației, și deplasările ei terestre, credință, obiceiuri, mod de viață și alte aspecte. În acest context, cu referință la poporul românesc, a devenit cunoscută expresia „*La un colț de masă cântă, la alt colț de masă plâng.*” [2, p.240].

Mai recent, a doua jumătate a secolului XX se caracterizează printr-o intensificare a studiilor demografice. Acest fapt este remarcat și de profesorul V.V. Poçșișevskii cu referință la Uniunea Sovietică: „Dezvoltarea intensă a geografiei populației a avut ca rezultat apariția unui număr mare de publicații – articole științifice, culegeri de studii, monografii și multe alte materiale atât în plan unional, cât și în plan regional (pe republici unionale, raioane economice și alte tipuri de regiuni) [1, p.25].

Problema evidenței statistice a efectivului populației

Experiența recensămintelor populației, care s-au desfășurat în Republica Moldova în a. 2004 și a. 2014, a demonstrat că fără o pregătire temeinică a organizării recensămintelor este imposibilă obținerea rezultatelor scontate veridice și argumentate. Responsabilitatea și competența în materie trebuie să fie asigurate începând de la nivelele inferioare până la cele superioare. Considerăm că în etapa actuală este necesară schimbarea sau, cel puțin, modificarea mecanismului de realizare a recensământului.

Problema organizării recensămintelor este caracteristică mai multor state ale lumii, cu precădere celor tinere și slab dezvoltate, supuse influenței proceselor de migrație a populației. Pe parcursul istoriei, spațiul geografic al Moldovei s-a aflat la interferența fluxurilor migratorii de la est spre vest și de la sud spre nord, fiind un spațiu binecuvântat care a prezentat întotdeauna interes pentru imperiile și statele lumii. Acest fapt a determinat soarta dramatică și plină de evenimente a poporului băștinaș, dar și problemele cu care se confruntă societatea contemporană. Se înțelege că în condiții de invazie a numeroase popoare, în acest spațiu a fost și este dificilă ținerea evidenței statistice a efectivului populației.

Schimbările politice din perioada contemporană și-au lăsat amprenta nu doar asupra situației demografice în țară, dar și asupra calității evidenței numerice a populației, care stă la baza tuturor studiilor în domeniul demografiei, dar și a sociologiei, economiei, inclusiv în domeniul politicilor. Astfel, din cauza lipsei unei evidențe corecte a efectivului populației, survin diverse erori nu numai în previziunile demografice, dar și în cele economice și sociale.

În perioada sovietică se admiteau erori în evidența populației, deseori, în mod intenționat, mai cu seamă, în statistica mortalității infantile și materne, statistica sinuciderilor, omuciderilor și altor fenomene secretizate de stat. Acest lucru se făcea în mod expres pentru a camufla statistica stării civile a populației cu scopul de a demonstra prioritatea sistemului socialist față de cel capitalist.

După destrămarea sistemului sovietic de evidență statistică a populației, până în prezent în Republica Moldova nu s-a elaborat un alt sistem complex de evidență a migrației și efectivului populației. Deși, în decursul acestor ani, multe elemente ale statisticii civile a populației au fost adaptate la sistemul statelor europene, susținem opinia că în Republica Moldova are loc falsificarea intenționată a datelor statistice privind efectivul populației, fapt care le convine guvernanților. Pentru comparație, în opinia noastră, erorile admise la recensămintele din secolul trecut nu erau atât de semnificative, iar impactul era diminuat prin calculele ulterioare.

Astfel, recensământul populației din a. 2004 organizat cu mari dificultăți, a demonstrat că societatea și instituțiile corespunzătoare nu au fost pregătite pentru efectuarea unor evaluări statistice de anvergură. Totuși, atunci donatorii străini, au aprobat convențional rezultatele recensământului. Astfel, recent s-a constatat că la momentul recensământului, în octombrie 2004, efectivul populației prezente de facto pe teritoriul Republicii Moldova constituia 3383,3 mii de persoane, în timp ce, în datele publicate ale recensământului figurează cifra de 3607,4 mii de persoane. Corespunzător, diferența de 224,1 mii de persoane sau circa 6% din populația prezentă era utilizată pentru a face referință la populația stabilă. Concomitent, rezultatele recensământului indicau că aproximativ 370-380 mii de persoane se aflau peste hotarele Republicii Moldova. Considerăm că diferența menționată nu reprezintă o eroare, ci o fraudă demografică, socială, economică și chiar politică. Majoritatea experților sunt de părerea că „*în calcule, după recensământ, trebuie utilizat numărul populației prezente*” [4, p.97]. Reiese că instituțiile corespunzătoare din Republica Moldova, utilizează nejustificat așa numitul efectiv al populației stabile în scopuri meschine, pentru a arăta că economia se dezvoltă, populația activează, iar procesele migratorii nu afectează numărul și structura populației statului.

În acest context se impune întrebarea: care este realitatea în teritoriu? Adevărul este că în Republica Moldova, viața activă se desfășoară cu precădere în municipiile Chișinău și Bălți, iar

în celelalte regiuni domină sărăcia și economia degradată, or, pentru menținerea instituțiilor statale și a aparatului administrativ la toate nivelele, se recurge la mărirea artificială a efectivului populației. Spre exemplu, pentru menținerea statutului de primărie, numărul populației trebuie să constituie minimum 2,5 mii de locuitori. Ca urmare, numărul de locuitori indicați în cadrul recensământului în localitățile republicii nu corespunde cu cel real, ceea ce poate fi dovedit inclusiv prin următoarele:

- Sondajele sociale efectuate în localitățile rurale. De exemplu, în satul Corjeuți (raionul Briceni), în documentele recensământului din a. 2004, se indică faptul că numărul populației constituie 7570 de locuitori (2004). În aceeași perioadă, primarul comunei, la una din emisiunile televizate, mărturisea că peste 2500 de persoane sunt plecate în străinătate de mai mulți ani.
- Elocvent este și sondajul efectuat în iarna-primăvara anului 2016, de platforma civică „Demnitate și Adevăr”. Persoanele responsabile de colectarea semnăturilor pentru organizarea referendumului cu privire la alegere directă a Președintelui țării mărturiseau că, în multe localități, nu se întrunește numărul necesar de persoane, deoarece populația este plecată peste hotare în căutarea unui trai decent. Pe multe străzi din sate locuiesc câte 2-3 familii, care supraveghează celelalte gospodării. Pot fi aduse multiple exemple de acest fel.

Astfel, având în vedere inexactitatea datelor primare introduse în sistemul statistic de evidență a populației, corectitudinea tuturor indicatorilor demografici este afectată. Se înregistrează decalaje la calcularea indicatorilor demografici: ratele natalității, mortalității, nupțialității, divorțialității și indicatorilor social-economici: produsul intern brut per capita, rata analfabetismului, în dependență de raportarea la efectivul populației prezente (3383,3 mii de locuitori) sau cel oficial (3607,4 mii de locuitori) în baza recensământului din a. 2004 [5].

Între timp, în perioada de după recensământul din anul 2004, numărul populației aflate peste hotarele țării a crescut și mai mult. În mass-media se vehiculează cifra de

aproximativ 1 milion de emigranți. În lipsa datelor statistice oficiale, ar putea fi utilizată informația emisă de ambasadele Republicii Moldova în diverse state. Spre exemplu, ambasada din Rusia face referință la circa 100 mii de persoane din R. Moldova oficializate doar în regiunile Moscovei și Sankt-Petersburgului. Și ambasada Republicii Moldova din Italia prezintă numărul de 100 mii. Ceva mai modeste sunt datele oferite de ambasadele Republicii Moldova din Spania, Portugalia, Grecia. Un număr mare de emigranți din R. Moldova sunt localizați în Israel, Canada, SUA, Anglia, Germania, precum și în alte state ale lumii.

Totodată, se poate afirma cu certitudine, că printre emigranții din R. Moldova există zeci de mii de persoane nelegalizate aflate în căutarea unui loc de muncă peste hotare.

Lipsa unui sistem performant de evidență numerică a populației determină probleme cu impact major asupra evoluției demografice. Una dintre aceste probleme constă în numărul mare de copii născuți în străinătate de către cetățenii Republicii Moldova, copii care, în majoritatea cazurilor, devin cetățeni ai statelor respective. Doar un număr mic din copiii născuți peste hotare sunt înregistrați în Republica Moldova. Altă problemă gravă este creșterea intensă a numărului de copii, care pleacă din Republica Moldova pentru reunificarea familiilor. Conform informației de la Direcția de Educație a municipiului Chișinău, anual, din școli pleacă peste hotare între 1000 și 2000 de copii. Cu siguranță, acești copii vor continua studiile în străinătate, iar întoarcerea lor în țară este, practic, compromisă.

Bineînțeles că în atare situație, rezolvarea problemei evidenței populației, ține de organizarea unui recensământ cu respectarea criteriilor cunoscute din experiența țărilor lumii. De menționat că, în acest sens, România și Rusia au acumulat o experiență bogată care ar putea fi utilizată și în Republica Moldova.

Problema evidenței statistice a migrației populației

O problemă acută este evidența statistică a migrației populației. Datele statistice oficiale denotă că creșterea intensității migrației populației Republicii Moldova a început, încă în

anii 70-80 ai secolului XX, când numărul mediu anual al persoanelor participante la migrație s-a ridicat la 160-180 de mii, dintre care peste 50% constituiau migranții interni, iar restul – migranți externi.

În prezent, în Republica Moldova, nimeni nu riscă să aprecieze care este numărul populației participante la procesul de migrație. Statistica oficială prezintă date destul de modeste, înregistrând sosiri în limitele a 3 mii de persoane și ieșiri de aproximativ 4-6 mii de persoane. În realitate însă situația este cu totul alta. Actualmente, ponderea cea mai mare în procesul migrațional îl dețin migrațiile ilegale, care au luat amploare în anii 90 ai secolului XX. Este cunoscut faptul că o mare parte din cei care pleacă legal din țară (în baza foilor turistice etc.), ajungând în țara de destinație nu respectă prevederile legale, devenind migranți ilegali. În plus, liberalizarea vizelor a facilitat plecarea cetățenilor R. Moldova în statele Uniunii Europene.

După distrugerea sistemului de evidență statistică a migrației, care funcționa în URSS până la începutul anilor 1990, nu au mai fost elaborate noi metode de evidență statistică a migrației, nici pentru migrația internă, nici pentru cea externă. Nu se poate afirma că n-au existat instituții responsabile de evidența migrației populației. Dimpotrivă, diverse structuri statale precum Biroul de Migrație și Azil, Ministerul Afacerilor Interne, Ministerul Tehnologiei Informației și Comunicațiilor, Biroul Național de Statistică sunt responsabile de această evidență. Însă fiecare din aceste structuri are o direcție mai mult sau mai puțin izolată de celelalte și consideră datele deținute drept informație "de serviciu" pentru instituția lor. Ce ține de situația per ansamblu pe țară, nu se efectuează analize sistematice.

În acest context, la începutul anilor 2000, fostul director al Biroului de Migrație și Azil, dna Olga Poalelungi, a propus mai multe variante de evidență a migrației populației, care însă nu au fost acceptate de guvernanți pe motiv că nu ar fi eficiente. Presupunem că aceste variante nu le conveneau deoarece nu le permiteau să voaleze procesul de emigrație intensă a populației din țară. Totuși, după multiple încercări, s-a reușit implementarea

evidenței migrației externe prin înregistrarea tuturor actelor de ieșire din țară și intrare în țară. Bineînțeles, conform acestei metode, este dificil de constatat cine a părăsit țara pe termen lung, și cine – pe termen scurt. Ca urmare a acestei evidențe, au fost obținute date pentru anii calendaristici 2003 și 2004: ieșirile anuale din țară au fost estimate în limitele a 1,4-1,5 milioane de persoane și intrările în țară – 1,3-1,4 milioane. Deci, se înregistrează un număr foarte mare de traversări ale hotarelor Republicii Moldova. Bineînțeles că acest număr include și persoane care traversează hotarul de câteva ori pe zi și persoane care au plecat/intrat pentru trai permanent.

Din datele expuse, totuși, rezultă că diferența dintre numărul de ieșiri și numărul de intrări constituie aproximativ 100 mii de persoane. Totodată, făcând comparație cu datele activității intense a celor circa 30 de firme turistice, putem deduce capacitatea lor de transportare a turiștilor, care se înscrie în limitele menționate. Datele statistice despre organizarea turismului în R. Moldova confirmă acest fapt. Astfel, în anii 2011-2012 prin agențiile de turism au plecat anual aproximativ 136-147 mii de persoane și au sosit 11-13 mii de persoane [6]. Deci, diferența dintre numărul de turiști plecați și sosiți este de circa 120 mii de persoane. Și în acest caz nu putem afirma că aceste 120 mii de persoane sunt toți emigranți, deși putem presupune că cea mai mare parte din ei au procurat bilet într-o singură direcție. Despre aceasta vorbește și analiza scopurilor de călătorie ale turiștilor plecați. Astfel, din totalul persoanelor plecate în anul 2012 (146,8 mii), numai 1% a plecat cu chestiuni de afaceri și pe motive profesionale, 2% – cu alte scopuri, iar 97% au plecat cu scop de odihnă, recreere și vacanțe [7]. Ultima categorie de persoane constituie un număr impunător, dar în același timp, multe din ele urmăresc scopul angajării în câmpul muncii în statele Uniunii Europene.

La fel precum în cazul subiectului evidenței numărului populației, subiectul migrației ilegale camuflează mai multe probleme de ordin demografic, social și economic dintre care cele mai cunoscute țin de asigurarea socială, asistența medicală, securitatea individuală ș.a.

Necesitatea optimizării funcționării Registrului Populației în Republica Moldova

Optimizarea funcționării Registrului Populației constituie un factor care ar contribui substanțial la îmbunătățirea evidenței tuturor transformărilor în efectivul și structura populației. Atunci când au început discuțiile despre Registrul Populației, în anii 70-80 ai secolului XX, ele păreau din domeniul fantasticului. Având în vedere dezvoltarea intensă a sistemelor informaționale actuale, acest proiect a devenit o realitate care vizează tot spațiul geografic al Republicii Moldova. Actualmente, zeci de mii de calculatoare constituie baza tehnico-materială a sistemului informațional demografic Registrul Populației. Totodată, desăvârșirea mecanismului de funcționare a Registrului Populației ține de activitatea Ministerului Tehnologiei Informației și Comunicațiilor. În prezent, în R. Moldova există un registru al populației care înregistrează populația în baza actelor de identitate (buletin de identitate / pașaport). Adică, se ține evidența mecanică doar a persoanelor care au primit actul de identitate respectiv. Totuși, specialiștii pledează pentru un registru electronic la nivelul întregii țări. În acest sens, este necesar un complex de elaborări electronice care să reunească toate sursele informaționale din teritorii – primării, spitale și alte instituții care furnizează informație despre populație, pentru ca, ulterior, această informație să fie înregistrată și sistematizată în centrul care coordonează activitatea Registrului Populației.

Concluzii

În articol am abordat subiectul sistemului de evidență statistico-demografică a efectivului populației în Republica Moldova, precum și dificultățile funcționării acestui sistem care afectează calitatea studiilor demografice. Totuși, soluționarea acestor dificultăți nu diminuează problemele demografice propriuzise cu care se confruntă Republica Moldova, precum: micșorarea drastică a natalității, creșterea mortalității populației, micșorarea ratei de nupțialitate și creșterea ratei divorțialității, criza familială, reducerea fertilității și alte probleme care necesită cercetări sistematice profunde.

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Doctrinal approaches to the labour market activity

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Abstract. *The labour market is one of the most important components of the market economy. This article presents the analysis of the specific characteristics, features and functions of this market, as well as the analysis of different doctrinal approaches regarding the activity mechanisms of the labour market.*

Keywords: *workforce, labour market, primary market, secondary market, unemployment, labour demand, labour supply, labour market equilibrium, price equilibrium, employment contract.*

Before describing the doctrinal approaches to the labour market, it is necessary to make a brief analysis of the general as well as of the more specific characteristics of this market. The defining elements of the labour market are: social actors in the labour market, namely the carriers of labour demand and supply; legislative and normative acts regulating the relationships on the labour market; the activity mechanisms of the labour market, which define the labour market conjuncture, the balance between labour supply and demand, the equilibrium wage and the employment; labour market related institutions; social security system of the labour market.

Unlike other markets in the national economy, the labour market has the following specific characteristics: workforce is not an ordinary commodity, since each employee is a unique personality, possessing special abilities (physical and intellectual) and a personal attitude towards work, and each job imposes its own requirements and conditions on the worker; labour cannot be “stored” if the supply exceeds the demand in the market of the labour force; transferring labour to other regions and spheres of application requires more time and effort than transferring usual goods within the labour market; the worker income, unlike prices of other goods, cannot be reduced below the subsistence minimum in the country; state intervention is more pronounced in the labour market than in other markets.

The labour market has several features:

- it is the most **imperfect** of the markets from the perspective of the adjustment mechanisms of labour demand, supply, and mobility
- it is the most **organized and regulated** market because it uses several regulatory mechanisms simultaneously (freedom of labour movement, decision of social partners regarding workplace; conditions of employment, salary and mechanisms of state intervention in the normal functioning of the labour market)
- it is a **negotiated** market in which social partners from enterprises negotiate the content of collective agreement at the level of the company (based on an employment contract), company branch and national levels. Negotiation issues stipulated in the contract refer to the volume and structure of employment, wage level, the relationship between wages, relations between direct and indirect wages etc.
- it is a **structured and segmented** market, which means that the labour market comprises several segments according to specific criteria. Labour market analysis requires the use of the concept of *segmentation*, which means that the labour market appearing as a single market on the national scale is divided into several segments according to specific

criteria. Different fields of activities offer different working conditions to their employees from the perspective of the working conditions, wages and opportunities of a professional career. Labour market segmentation also implies the existence of barriers when moving a worker from one segment of the labour market to another and the manifestation of the labour mobility within each segment and between various segments of the labour market; the contemporary labour market is a market with pronounced contractual and participatory features.

In this way, the labour market is a complicated system that can only operate in correlation with the other markets and as a part of the general economic system, while remaining autonomous at the same time. [1]

The labour market is an organic component of the market economy, which has several functions:

- the function of ensuring the achievement of a balance between the needs for labour resources of the national economy and the possibilities for the fulfilment of these needs. This function manifests itself at the micro-, meso- and macro levels, and it aims to achieve the balance mentioned above over a long period of time, but it does not preclude the occurrence of temporary imbalances as a result of the inconsistent movement of the human factor compared to other factors of production.
- the function of influencing the educational and training system from the perspective of the demand of the labour force for obtaining qualification and requalification. The mechanism of the labour market determines the flexible nature of the supply of the labour resources, which are supposed to correspond to the demand for these resources, deriving from the needs of the production process.
- the function of orienting the labour resources in every country with a view to increasing the efficiency of their utilization, by distributing them according to profession types, economic sectors and units, geographical location. For this purpose, a series of labour

market mechanisms are put into action, such as wage differences and mechanisms from outside the labour market.

- contributing to the achievement of the optimal combination between the human factor with the material factor in the production process with a view to reaching the goals pursued by each economic agent and by the national economy as a whole. Labour market provides complex information on the availability of human resources. This information can be subsequently used to establish correlations with the markets of the other production factors.
- the function of determining the process of income formation and distribution, based on a system of criteria established by the state legislation or by the individual or collective contracts. This function of the labour market has multiple ramifications and implications. The evolution of the supply-demand ratio determines both the labour wages (and the income, in general) and the mechanisms by which the distribution and redistribution of the national income are realised, the economic and financial methods used for this purpose.
- the function of adopting and implementing measures of social protection of the suppliers of the labour force. These measures are, essentially, the result of negotiations between businesses within the market. Among the measures of social protection of labour force suppliers, that of providing alternative income/unemployment aids to persons who have lost their jobs and have not yet found a new one has an extremely important role.

The functions of the labour market listed above are closely interdependent, forming a *whole*. The organisation of the labour market must ensure the optimal conditions for carrying out all the functions specific to this market.

There are many doctrinal approaches regarding the content and the operation of the labour market. Below, we attempt to analyse the main approaches.

The approach of the classical liberal school

In the doctrine of the classical liberal school, represented by A. Smith, D. Ricardo, J.B. Say et al. the problem of the labour market used to be looked at from the perspective of the phenomenon of unemployment: when unemployment appears and/or increases, wages fall, workforce becomes cheaper, costs decrease, which allows the manufacturer to intensify the production process and employ a higher number of workers, thus causing the rate of unemployment to decrease. The representatives of the classical liberal school believed that maximising the use of the profitable production capacities and the flexibility of wages can ensure the balance of the labour market, in terms of achieving the full employment of the workforce. They claimed that a normally functioning market cannot generate *involuntary* unemployment. Instead, *structural* and *frictional* types of unemployment occur. In J.B. Say's view, supply and demand inside the labour market and inside other markets are *self-regulating* and there is no need for state's intervention in this area, the unemployment and the imbalances between supply and demand arising in the labour market and having only a temporary character. In our opinion, the classical-liberal school contributed greatly to the development of the concept of a labour market. However, we must note that the correlation between supply and demand in the labour market does not establish itself automatically, requiring a moderate intervention from the state. [6]

Karl Marx's approach

Karl Marx's doctrine presents a new, modern hypothesis regarding unemployment and the labour market. In his famous work "Capital" (Vol.1, cap.21-23), K. Marx formulated the general law of capitalist accumulation, according to which "*greater the capital and the size of the proletariat – larger the industrial reserve army and official pauperism*". In Marx's view, if the capitalists failed to invest, they would not be able to produce goods. In this case, they would be forced out of the labour market, causing a decrease in wages and in the rate of employment. The decrease in the profits would lead to the bankruptcy of numerous businesses,

would reduce the investment in plants and machinery, and would, therefore, result in unemployment. The structural excess of the supply of labour force represented by the "industrial reserve army" keeps the salary at the subsistence level and makes the workers powerless in the face of the capitalists. Marx emphasises the connection between the use of the labour force and the production methods, claiming that unemployment is an important factor in regulating the capitalist production. He claims that unemployment emerges as a surplus of labour resources, which occurs under specific conditions of valorising the capital factor. [4]

The neoclassical approach

According to the neoclassical approach to the labour market, represented by L. Walras, J.B. Clark, A. Marshall et al., employers hire workers up to the point where the cost of the labour force becomes equal to its marginal productivity. On the other hand, suppliers of labour force appear when the salary they are being offered is higher than the disutility of labour. Consequently, the supply and demand are balanced by the evolution of the price, that is – the real wage. Thus, the concept of the *labour market* emerged, a market in which there is *involuntary unemployment*. With respect to employment, the neoclassical school supported the idea of a full exploitation of the labour force in the context of the general economic equilibrium. We believe that this approach seems logical at the first sight, but it is not realistic, because, during economic crises and depressions, workers cannot find jobs even at the lowest salary. J. B. Clark's approach regarding employment in the context of income distribution is of great interest. He proposes a new concept of income distribution based on the marginal productivity of the production factors. Clark suggests that wages tend to the value of the marginal product of the last employee hired; rent tends towards the difference between the market value of the product and the value of the marginal product (the product from the least fertile plot); interest tends towards the lowest return on capital (marginal yield). Clark reached the following conclusion: the method of distributing the incomes according to their marginal productivity ensures the full employment of the labour force, the absence of

any exploitation, and the owner of each factor of production getting the part of social wealth he created. The problem of the labour market was also extensively approached by the neoclassical A. Marshall. In his work "Principles of Economics" (1890), the workforce is looked at from the perspective of orienting the human physical and intellectual capacities towards the production of economic goods. According to Marshall, the following measures should be taken in the view of increasing the productivity of the labour force: raising the level of labour force qualification; increasing the level of professionalism; improving employee's general and special skills; providing the worker with advanced equipment and appropriate technical training; increasing investments in the field of workforce training; financially stimulating the worker. Marshall had also thoroughly analysed such factors as the physical, intellectual and moral conditions that influence the productivity of the workforce, worker's muscular energy, the climate (which influences the natality), the food, clothing, the availability of living space, organization of recreational activities, optimism and personal freedom, the impact of the environment.

We would like to note that the current neoclassical approaches on the operation of the labour market, significantly differ from the neoclassical approaches in the 19th and 20th centuries. Contemporary neo-classicists believe that, from the microeconomic perspective, the labour market is divided into two submarkets: the primary and secondary markets.

- The primary market comprises all companies that offer highly paid, secure jobs and opportunities for being promoted and building a career. When a vacant position appears, such companies prefer to promote one of their own workers rather than offering the position to a previously unemployed individual or to a worker from another company – the external labour market. The domestic labour market is defined as an administrative unit, in which price and allocation of labour are governed by rules and procedures, so it does not work *freely*, as L. Walras assumed.

- The secondary market comprises businesses that provide jobs of "poor quality", where the salary level is low and little skill (or no skill) is required, where there are no opportunities for promotion and career building, and finally, where the job position is insecure.

These two segments of the labour market strongly influence each other. For example, if highly qualified individuals cannot find a suitable job in the primary market, adequate for their level of qualification, then, they usually apply for a job in the secondary market, thus managing to avoid unemployment. At the same time, some individuals who hold a job in the secondary market might obtain a decent job in the primary market. It is this dualism of the labour market arising from a mismatch between qualifications and skilled jobs that causes an increase in the rate of unemployment.

The Keynesian approach

Keynes's approach to labour market suggests that the conceptual approaches of the classical and neoclassical liberals are not realistic because, in the capitalist system, unemployment becomes a *permanent* phenomenon. In his famous work "General Theory of Employment, Interest and Money", J.M. Keynes starts from the hypothesis that the labour market is in disequilibrium and the involuntary unemployment is a permanent phenomenon. To solve the problem of unemployment and to ensure a balance between the aggregate supply and demand in the labour market, Keynes suggests making a public spending that would stimulate the economic activity and increase the demand for goods and services in the economy. Because of the increase in this aggregate demand, businesses start considering increasing the number of employees in line with the requirements of the market. Keynes notes that unemployment is not an absolute evil and might even become a positive factor to a certain extent, encouraging people to work better. At the same time, he believes that in a capitalist society, there is no mechanism that would be able to ensure a full employment of the labour force. He claims that unemployment can be reduced only through state intervention, by means of promoting investment and creating new jobs. Unlike the classical and neoclassical

liberals, Keynes believes that spontaneous market mechanisms are not sufficient for the achievement of such basic goals as a full employment of the labour force, an absence of economic crises, a sustainable economic growth. He states that these objectives can only be achieved through an involvement of the state with its regulatory role, in the economy, with the use of such means as the state budget, monetary emission, regulation of the interest rates as well as of other economic levers [3].

We believe that Keynes's approach to labour market has played an important role in the employment policy of the workforce and in combatting unemployment in the 30s-60s of the last century. It has been implemented in several European countries and in the USA. However, because of the substantial socio-economic changes, many of its postulates have lost their original value.

The neo-institutionalist approach

The doctrinal approaches of the neo-institutionalists to labour market focus on analysing the situations of imbalance within the labour market. The advantage of these models resides in their ability to reflect the currently existing institutions and economic order. Indeed, many workers are engaged in formal contracts, which establish the nominal salary in advance. Thus, the nominal wage allows the financial state institutions to control the real wages and thereby the level of employment. However, models that are based on contracts targeting nominal wages are controversial and cannot be explained in terms of the microeconomic principles:

a) if collective agreements are the cause of the large fluctuations in production and employment, which undermine effectiveness, then why do individuals and firms sign these contracts?

b) it is also inexplicable why optimal agreements are not compatible with low nominal wage flexibility in the labour market covered by collective bargaining agreements;

c) it is not clear why the collective bargaining agreements do not allow obtaining considerable obvious potential gains that could

be achieved during the negotiations of both sides. Both the economic and the socio-institutional factors exert their influence on the functioning of the labour market. The economic factors influence, in particular, the demand for the labour force. According to Marshall, the demand for the labour force - as a production factor - represents a *derived demand*. This means that the volume and the structure of the labour demand are determined by the final demand for goods and services, wage costs, but also the technological state of the system expressed by labour productivity and the intermediate consumption. Labour demand is simultaneously modelled by economic factors (the level of wages - as the price of this factor of production) and by social and institutional factors. In our opinion, the wages are not the real expression of the *price* of the labour force, but rather a representation of the social perception of the level of income, and of the systems for negotiating the wages. So, wages are "set" according to the present price level of the consumer goods and the expectations regarding the inflation rate. Also, wage differentiation is influenced not only by the level of qualification or other factors related to the technological progress but also by the "positions" that different occupations hold based on social conventions. The institutional system (system of training labour, property relations, recruitment and employment system of labour etc.) exert a major influence on the adaptability of the workforce to the changes made in the functioning of the labour market.

The monetarist approach

The monetarist approach to the labour market, represented by M. Friedman et al., starts from the rigid structure of the prices of the labour force and from the premise that they "travel" in only one direction. Monetarists introduce the concept of "natural level of unemployment", which reflects the structural characteristics of the labour market, makes its prices inflexible, hinders its normal functioning, aggravates its imbalances and extends unemployment. In the opinion of representatives of this school, the negative factors intensifying the imbalance of the US labour market are the setting of the minimum wage by the state, strong syndicates, lack of

information about the available vacancies and the reserve army of labour. Monetarists suggest that, in order to balance the market, one needs to draw on the monetary-credit policy, and resort to such leverages as the official discount rate fixed by the central bank and the rates of the obligatory reserves for the commercial banks. This approach is also supported by some economists in the Republic of Moldova.

In the last decades of the 20th century and the beginning of the 21st century, new approaches to the labour market appeared in the frame of *the theory of the supply economy*. The latter was mainly based on the deregulation of the economic life and the reduction of public spending. Studies on the important role of the professional qualifications in the development of modern markets have resulted in two new theories that have had a strong impact on the development of new employment policies: the theory of *dualism of the labour market*, which highlights specific difficulties in hiring low-skilled workers, and the *human capital theory*, which reflects the role of the education and vocational training in economic development. The current stage in the evolution of the concept of labour employment is characterised by important qualitative transformations related to the rapid increase in the education level of the population of the developed countries, changing the conditions for the entry of young people in the labour market. Another characteristic is the implementation of the new employment requirements of workers in the process of developing their career, but less thoroughly instructed, who find themselves competing with young people. Currently, a set of programs and projects related to the issue of employment are elaborated in the European Union and in other developed countries. [2]

In conclusion, we would like to mention that the policies related to the adjustment of the

employment process will be reoriented in the future. Thus, fewer state policies of general application will be adopted, and more branch and enterprise policies, which will become the object of a socially active dialogue between employers and trade unions - a dialogue that will result in contracts covering a shorter period of time and revisable in accordance with the socio-economical conjuncture.

Conclusions

The labour market has several functions, such as: assuring the equilibrium between the demand and supply of the labour resources; determining the efficient use of the labour resources; contributing to the achievement of the optimal combination of the human factor with the material factor in the production process with a view to obtaining positive financial economic results; impacting the formation and distribution of the income; assuring the social protection of the labour resource owners.

There are several doctrinal approaches to the content and mechanisms of the labour market, the most prominent of which are: the classical and neoclassical liberalist doctrines, the Marxist and Keynesian approaches, and finally, the institutionalist and the neoliberalist doctrines.

Unlike other markets in the national economy, the labour market has specific characteristics, such as: being the most imperfect from the perspective of adjustment mechanisms of labour demand and supply; being the most organized and regulated market since it operates with several regulatory mechanisms; being a negotiated market in which social partners negotiate the content of the collective labour contract at micro- and macroeconomic levels.

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The impact of migration on the labour market. Republic of Moldova case study

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Abstract. *The impact of the migration process on the labour market is very profound, starting with big changes in the population structure and ending with changes in the consumption preferences. The factors behind leaving one's country to work abroad are almost exclusively of economic nature. The dominant factor is usually the lack of opportunities to obtain an income sufficient for living in one's home country. In this context, the main reason for migration is the lack of jobs, followed by low wages, and the desire for long distance family reintegration.*

Keywords: *population migration, labour market, workforce, European migration crisis, circular migration, immigration policies, employment policies, demographical evolution.*

Introduction

Migration is usually defined as the movement of a person or group of persons from one geographical unit to another across an administrative or political border and wishing to settle permanently or temporarily in a place other than the place of origin [ILO, 2003, p. 8]. Movements within a country are usually defined as internal migration and therefore movements across international borders are called international migration. Migration can be considered "*an accurate indicator of the health of*

the social body and the result of cumulative phenomena, of which the most important is the continued impoverishment of the population." [1]. The country of origin or country of emigration usually has the following characteristics: a lower level of economic development; young people and working population constitutes a high proportion of the total population; the lack of opportunities for employing nationally available workforce; lack of investments in many economic sectors.

The receiving country or country of immigration usually has the following characteristics: a relatively higher degree of economic development, including salaries; higher demand for labour compared to the domestic supply share; low percentage of young people and working-age population on the total number of population.

International labour migration is a phenomenon that has deep implications for today's society. Over time, several theories were issued about the reasons for migration and its effects on the territory and economy of the involved states (countries of migration, transit countries, countries of emigration).

The large-scale migration to Western Europe had initially started between 1960-1976, the number of foreign workers in this region, doubling, from 3% to 6%. The biggest flow of immigrants turned to Britain and France, the access being facilitated for newcomers from the former colonies. In Germany, also, the number of foreigners increased by 4 million between the years 1965 and 1990. The large wave of immigration in Europe has ended with the oil crisis of 1976, but not definitively because the immigrants' families – their spouses and children – continued to arrive. In 1997, in the UK, half of the 54,000 work permits were granted to Americans and Japanese, who had high-skilled jobs. In other European countries, immigrants were usually the seasonal workers in agriculture.

Since the 80's the number of asylum applications has considerably increased. In 1984, 104 000 asylum applications were submitted, while in 1992 this number reached 692 000. Then, for a decade, the numbers

decreased until 1998, when the figures started to grow again. A possible explanation for this phenomenon is that with the end of the Cold War, a lot of local ethnic conflicts across the world reignited. Additionally, with the fall of communism, many citizens from Eastern Europe found that their aspirations towards a better quality of life could be fulfilled only in the Western Europe.

In the recent decades, immigration has become a major component in developing and maintaining economic growth at high levels within the developed countries of the European Union. Aggregate net migration in France, Germany, Italy and the UK in the period 1990-2014 reached 15 million people, with a considerably higher level of immigration than that of emigration. Natural growth was only 5 million people. If we add the data for Spain, a country with a remarkable economic boom before the financial and economic crisis and a massive immigration, net migration reaches 21 million and the natural growth just 6 million. It is expected that the great crisis of migration in 2015, with effects in the economic, social and cultural fields that we still know very little about, will determine a waiting period as well as leading to the reconsideration of immigration policies and to the revision of the employment policies targeting the workforce. [4]

Correlating the demographical evolutions of the developed European countries with data from the last decades showing their steady economic growth suggests that, in the future, this economic growth will depend on those countries' respective immigration levels. Migration is a complex process with multiple and varied effects reflected not just at the community level. One of the most visible effects, with high impact on migratory flows, is the evolution of the labour market. The effects of labour migration are not only negative. There are some known benefits both for the countries of origin and those of destination such as the transfer of knowledge and working methods and techniques between them.

For the countries of origin, migration has positive effects, first, in the social protection field by reducing the number of unemployed people and creating a balance in the labour market that

results in increased wages. A benefit for the countries of origin is the flow of the currency generated by the money introduced by migrants into their home country economy (even if most of it is intended for immediate consumption) - an economic growth factor, which contributes to the reduction of pressure on the current account deficit and to the balance of external payments thereof. Remittances from abroad have the immediate effect of increasing the quality of life of migrants' families. The positive effects of the economic growth also come from the fact that some of the emigrants' income is being deposited in banks. In the case of companies' bankruptcies or staff reductions, the workforce is turning to lower-paid, but stable jobs, becoming the "saviours" of the system and factors of economic stabilisation. The leadership experience and the improved qualifications acquired by the repatriated groups also contribute to the economic growth of that country. They bring the know-how and the high working standards from countries from which they have returned and are, in their turn, able to become employers for their fellow citizens. Companies have concluded that the experience of such repatriated individuals can be more useful to them than the experience of the foreign employees 'artificially' transferred to them at great financial expense. In order to prevent the emigration of specialists, which contributes to a reduction in the technological development, they should be motivated to remain in their home countries by creating networks between them and specialists from foreign countries. In the country of origin, migrants' abilities can be used to increase the economic development by encouraging circular migration. Circular migration would reduce the outflow of "brains" because their absence from the home country would only be temporary and would ultimately benefit the country of origin upon migrant's return.

In the destination countries, the reduction of the workforce deficit is accomplished by hiring workers from Moldova, Bulgaria, Pakistan, India, China or Turkey - countries with low living standards - workers who obtain higher wages than in their home countries, proportional to their training, skills and their respect for the job. Another advantage

of this category of workers is that having signed contracts for periods longer than one year, they cannot move to other companies or leave the country. The impediments of hiring foreign workers consist in the difficulty of granting them a legal status and in the existence of strong cultural differences between the migrants and the people of the receiving country.

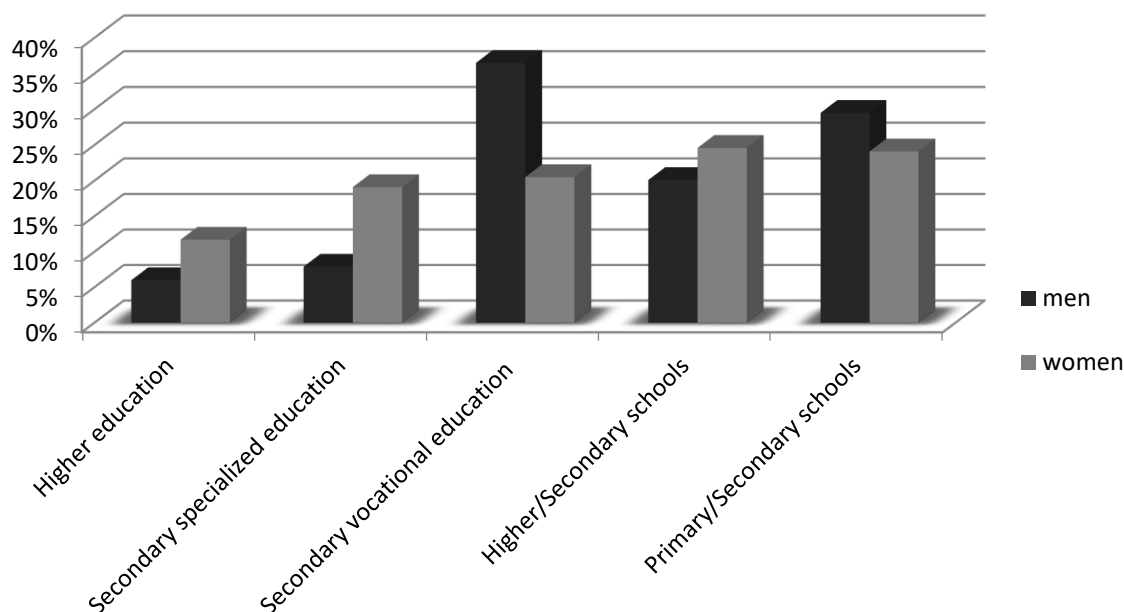
For the countries of destination, the effects on economic growth are favourable. Migrants represent a well-prepared workforce, capable of achieving high work performance. If well-paid, migrants will become involved in supporting the economic areas of little interest to the local workers even in conditions of high unemployment or staff deficit. [6] The existence of diverse workforce offers, determines employers to choose persons with the most suitable qualifications and skills for the required job positions. Employing companies can also extend their activity by creating new jobs placements. Migrant workers can put into practice the knowledge acquired in their home country and be rewarded in accordance with their qualification. Many migrant citizens put their business ideas into practice establishing their companies and thereby creating job placements for both locals and citizens of other states. In some countries, approximately half of the economic growth is due to immigrants. Destination countries often allow highly qualified labour force to access the labour market, which has positive effects on the economic efficiency, GDP growth and improvement of the living standards. The existence of circular migration in the country of destination should respond to fears about migrants permanently leaving the home country as well as provide an alternative to its full liberalisation. In the current crisis, migration may be a solution, since eliminating it would further deepen the economic difficulties of the origin countries.

The evaluation of demo-economic resources in the Republic of Moldova. According to the results of research conducted by the Labour Migration Office of the Republic of Moldova, in 2012 every tenth person aged 15-64 years (258 000 or 9.9% of the total population)

was abroad working or was seeking work. [3] More than 2/3 of the total of migrants were working or had worked in Russia (69.2%). EU states were preferred by 1 migrant out of 5 (22.2%), most of which (63.7%) had chosen Italy as their country of destination. The distribution of countries according to gender highlights the gender differences in this indicator. Thus, in Ukraine, higher values were recorded for men than for women (79.7% men and 20.3% women), in Russia - 79.2% men and 20.8% women, in France - 70.0% men and 30.0% women, and in Portugal - 69.2% men and 30.8% women. On the other hand, women predominate in Turkey (87.6% women and 12.4% men), Israel (82.1% women and 17.9% men), and Italy (73.7% women and 26.3% men). [8,1] The distribution by level of education of migrants who left/returned, shows that the main share is held by those with secondary vocational education, three out of 10 (31.3%), followed by those with primary and secondary schools, 1 out of 4 (27.5%). The distribution of migrants by gender and level of education is shown in Figure 1.

The most frequently used ways of transmitting money home from abroad are rapid transfer systems (50.6%) and bringing the money in person (31.2%) during visits to the home country. 1 in 10 migrants (10.8%) used to send money through couriers and 4.6% of the migrants - through relatives or friends. [6] Families of the migrants used the money received from abroad mainly to cover current expenditures relating to needs of the household (food, clothing, payment of services, etc.). Thus, according to MFM, for 49.7% of the migrants, important expenditures are related to the following areas: purchase, renovation or construction of houses and for 36.0% of the migrants, these areas are the purchase of durable goods (car, TV, computer, etc.). Other purposes for the use of the money received were found to be: payment of the debts (16.7%), payment of medical services (13.1%), payment of studies undertaken by family members (12.6%), investment in agriculture (10.2%), recreation/entertainment (6.0%). Three migrants out of 10 (28.7%) were saving the money. [9]

Figure 1. Distribution of migrants by gender and level of education, *source: NBS*

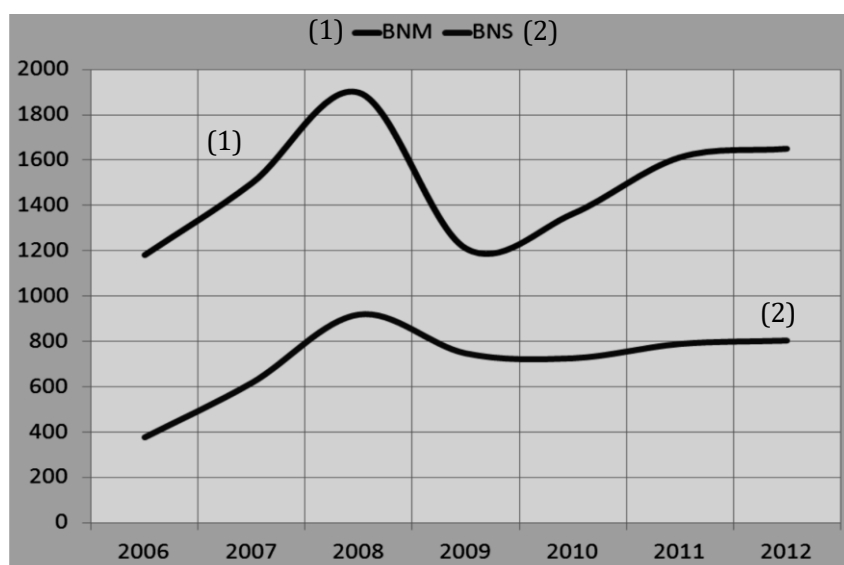


For the Republic of Moldova, international migration is, firstly, a key source of income used by the population to reach a decent standard of living. Given the fact that people involved in the process of international mass emigration leave Moldova mostly for work purposes, the migration process introduces a considerable flow of currency into country's economy, which in turn contributes to an increase in population's welfare. Data from the National Bank of Moldova shows that in 2014 international migration of labour brought in the country, as remittances, approximately 1.6 billion USD, which is almost a quarter of Moldova's GDP [2]. In the period between 2000 and 2014, the net volume of remittances increased more than 9 times, from

178.6 million USD to 1612 million USD in 2014 (Figure 2). This amount may be higher considering transfers that were made 'unofficially'. Thus, a large part (approx. 35% - 40%) of the remittances is transferred through informal means, suggesting that the financial education of the migrants and of the remittance recipients is quite low. Indeed, according to a CBS-AXA study on migration labour migration risks shows that remittance transferred through financial banking institutions accounts only 64.3% for migrant working men and 62.4% for migrant working women. The rest of remittances are brought home through a courier, relatives or on their own. [5]

Figure 2.
Estimated remittance flows
based on data from the
Household Budget Survey of
the NBS (BNS) and data from
the Balance of Payments
compiled by NBM (BNM),
represented in millions USD

Source: [5]



Conclusions

The mass emigration of the citizens of the Republic of Moldova seeking workplaces represents a certain threat to country's socioeconomic and demographic security. The migration phenomenon contributes to the deformation of the population structure and of the structure of the labour market, as well as to the breakdown of families and an increased public spending on healthcare systems, social security etc. The migration flow reduces the size of the working population and the quality of the workforce. The population age structure also changes: the number of people of reproductive age shrinks, given the fact that this age category is populated by those who were born after 1990. Since two-thirds of the migrants are from the rural areas of Moldova, there is a noticeable lack of men of a working age in the respective towns/villages. In the south region of Moldova, which is normally characterised by the

preponderance of women in the workforce, there is a lack of women of working and reproductive age.

According to the forecasts of the national and international experts, the population of the Republic of Moldova will further decrease given the fact that the small number of persons of childbearing age will not be able to provide a number of births sufficient for assuring a growth in the size of the population. An extensive research about migration would require a study of the structure of the workforce in the light of the demographic phenomena, both from the present and future perspectives. Such study would focus on the age categories of the population, based on the demographic forecasts. In this context, an important objective is also to ensure the financial sustainability of the pension system and of the social assistance organisations in the Republic of Moldova.

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An interdisciplinary approach to migration processes

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Abstract. *We can certainly call the era in which we live an era of migration. Human migration is the companies' reply to the considerable development differences present in the worldwide geo-economic context. Migration occurs because of a metamorphosis in the society. The unprecedented proportions of the migration process reveal that migration is the most popular strategy to avoid poverty, persecution or to gain a faster access to higher living standards. Migration or the territorial mobility of the population is not just about changing one's residence but is a more complex process that brings into the equation several factors. Regardless of the mechanisms that trigger or influence its manifestation, the process of migration generates a broad spectrum of consequences.*

Keywords: *international labour migration, migrants, labour market, remittances, migration policy, migration network.*

The study of migration processes involves analysing a series of social and economic phenomena. This is the reason for which it becomes one of the objects of study in many disciplines: economics, sociology, demography, political science, psychology etc. Analysing the scientific approaches to the international migration of the labour force, we

found that because of the multidimensionality of this phenomenon, scientific approaches have a complex interdependence, intersecting and complementing each other. In order to grasp the essence of *migration* as a socio-economic phenomenon, we will investigate it from the historical and dialectical perspectives elaborated by a number of scientists.

The Demographic approach has an essential role in the analysis of the migration processes. In the frame of this approach, K. Marx, M. Weber, A. Sovy, Noutstein F., A. Landreau D. Valenti and others have conducted research, establishing that migration has an impact on the birth rate, mortality and population health. This approach highlights the role of population growth and its quality as determinant factors of social and economic development. Still the current period has witnessed a massive increase in the size of the population, 80% of which is living in the developing countries. During last time, European countries register both a decrease in the indicators of population reproduction and the demographic ageing. This demographic crisis constitutes one of the factors of workforce migration, especially from developing countries to developed countries. Although the Republic of Moldova is not a developed country, it registers a reduction of its population. According to experts' estimates, the size of the population may decrease till the year 2050 by about one million people, reaching 2,5962 million people, an essential decrease in population forecasted after the year 2026 [10, p. 126]. Hence migration proves to be not only interconnected with the level of the society's development but also organically integrated into the demographic processes.

The Sociological approach examines the correlation between migration and socio-economic situation in donor and recipient countries. In this approach, a special focus is put on the “push and pull” theory and migration network theory, which investigate problems related to migrants that adapt to the new socio-cultural and ethnic environment. Among the variables of the “push and pull” theory is the poverty in the origin countries and the

comparative advantages for the labour force of the countries of destination. The economic factors hold the biggest share in the series of refusal factors: unemployment, low wages, drought, hunger, overpopulation etc. Taking into account these factors, the British scientist E. Ravenstein has developed a model based on the variables from the origin country, being opposed to the respective variables from the destination countries [12]. This model is considered as one of the most valuable theoretical achievements focused on the refusal and attraction factors. In his work "The laws of migration", which analyses the information concerning twenty countries, E. Ravenstein developed eleven laws for the labour migration:

1. Migration takes place gradually, step by step.
2. Most migrations are made over short distances.
3. Each migration flow has a corresponding anti-flow, compensating it.
4. Economic factors are determinant in taking the decision to migrate.
5. Migration volume increases with the development of industry, trade and transport.
6. The bigger territorial centre is, the more attractive it is from the migrants' point of view.
7. The growth of large urban centres is due to the population migration, not due to the natural population growth.
8. The urban population is less active than rural population in terms of migration.
9. Most migrants from rural localities are heading to major industrial and commercial centres.
10. Most migrants are individual adults; families rarely migrate abroad;
11. Women more frequently migrate within the country, while men mostly migrate abroad.

Developing E. Ravenstein's ideas, in the 60's of the twentieth century, the scientist E. Lee elaborates the „push and pull“ theory, studying internal and international migration at the microeconomic level. According to this theory, the determinant factors of migration are of four types:

- Factors related to the origin country of migrants;
- Factors related to the destination country of migrants;
- Conjectural factors, which serve as intermediate barriers (e.g. travel expenses, legislative prohibitions, insufficient information);
- Personal factors related to migrants' personal characteristics [6].

Migrant networks are one of the main themes in the research field targeting the subject of international migration. The theory behind it was founded in 1990 by D. Massey and studies the internal and international migration at both the micro and macro levels. Migration is explained by family relationships, friendships with migrants from the destination country. Most migrants choose the destination country considering the presence of relatives or of a diaspora. This factor has a great importance for migration with the purpose of family reunification. According to data from Eurostat, 90% of women of Egyptian origin immigrated to Italy because of this [18]. Diaspora existence in destination countries is a factor considered, especially, by low-skilled migrants that tend to accommodate in the new society preponderantly by means of social relations. The existence of a network of migrants is an amplification factor in increasing the migration flows between countries and in supporting migration processes even under unfavourable conditions (for example, the economic crisis in the destination country).

The economic approach to researching the subject of population migration targets the essence of this complex phenomenon, highlighting its common laws and

particularities, as well as the development of regulatory and management measures. The classical economic theory sees the phenomenon of population migration as being linked to the deployability processes of the population and to the development of productive forces. Determining the laws of the migration processes, over the last two centuries, has been the subject of research of representatives from different economic schools.

The Cumulative Causation Theory, founded in 1957 by G. Myrdal, postulates that migrants are usually skilled, educated and motivated people, contributing, on one hand, to the increase in the productivity of the destination countries, which determines the economic growth of the recipient countries and, on the other hand, the economic stagnation of the origin countries, which, in turn, will further intensify the process of international migration. The Neoclassical Theory of Migration attributes the foremost role in explaining the emergence of migration flows to the economic factors. O. Stark, M.P. Todaro, J.R. Harris analyse both the internal and international migration phenomena at the microeconomic and macroeconomic levels. According to the ideas found in the neoclassical economic theory, the main cause of the emergence and development of migration flows is the difference between the wages level in the countries that 'donate' workforce and those that 'receive' it. According to the Human Capital Theory (Th. Schultz and G. Becker) migration is explained by the tendency of each individual to enrich the human capital, namely to enhance income generation capabilities during the lifetime as a result of migration [15]. The *segmented* (dual) Labour Market Theory examines the international migration of labour force at the macroeconomic level. It suggests that migration is due to the structural demand of the developed countries for foreign labour force in two economic sectors: the *primary* sector - which guarantees stability and the high remuneration for nationals or immigrants with high qualifications and the *secondary* sector, characterized by instability, lack of conditions for professional growth, a reduced

remuneration [11]. The Social Capital Theory was developed by D. Massey and his colleagues. In his work "Return to Aztlan: The Social Process of International Migration from Western Mexico" (1987), Massey examines for the first time the migrant networks as a form of social capital. In 1998, he places the Network Theory and the Institutional Theory in the frame of the Social Capital Theory, arguing that, over time, individuals and organisations become institutionally stable and well known to immigrants, becoming a form of social capital that migrants rely on when seeking to enter a foreign market [7]. Overall, in the light of this theory, migration is seen as being a process that results from the disparities between the origin and the destination countries.

To summarise, based on the analysis of theories discussed above, we can say that specialists who focused on the economic approach to the study of migration highlight different and often contradictory factors as being determinant in the process of international migration. This could be explained by the fact that migration is a multidimensional phenomenon. Studying the approaches to the phenomenon of migration, one can establish a number of contradictions between different economic theories. P. Stalker tried to overcome these contradictions by analysing the peculiarities of the contemporary migration from the following perspectives:

- **individual**, based on the concept of human capital, migration is studied as an investment in this form of capital;
- **structural**, based on the study of individual mobility in the context of living conditions Social, political and economic structures can either attract or repel a person from living in a certain environment;
- **systemic**, studying international migration as a result of individual decisions, depending on various structural factors in the context of the global flows of capital, goods, as well as on the action of political, social and economic factors [17].

The politological approach. Its foundations were laid in the works of G. Freeman and A. Zolberg, which suggest that migration should be regulated by the state through a system of migration policies. Political scientists examine migration from the perspective of cooperation between states, consisting of population movements and developing the necessary legislation. From this perspective, the state's role is to exercise control over individuals' *inputs* and *outputs*, to determine criteria of belonging to the society through procedures for obtaining a citizenship, to influence political systems and institutions regarding migration regulations [4]. In the CIS countries, especially in Russia, a new politological direction is being formed concerning the analysis and regulation of migration. This direction is being outlined in the works of A. Vishnevsky, A. Vozjenikov, G. Vitkovskaia and other researchers. At the same time, migration policy is treated both as a sub-area of the demographic policy and of the social policy. An important feature of migration in the former Soviet space is its ethnic and political determining factors. The low levels of socio-economic development, as well as the ethnic and political conflicts in the CIS countries, have generated massive migration flows, stimulating the formation of immigrant communities in different countries.

The psychological approach is presented in the works of researchers Perevedentseva V., T. Zaslavskaja, V. Moiseenko etc. This approach looks at the internal and international migrations, examining both individual and group-related reasons determining the migration behaviour of an individual.

The systemic approach based on the concept of migration systems was first examined at the end of 1980 by M. Critz, X. Zlotnik et al. This approach suggests that a so-called migration system consists of a group of countries that have stable and strong migration relations. A migration system is formed because of a migration flow and represents a unique space

encompassing countries that donate and receive labour force, respectively. To explain the operating principles of migration we need to examine the system as a whole. The direction of migration flows is usually determined by the existence of the historical, cultural, economic and political relations between donor and recipient countries [5]. Nowadays, there are a few distinct migration systems in the world: North American, European, Asia-Pacific, Eurasian (which was formed in the former Soviet Union) etc.

Conclusions

There are several approaches and theories targeting the subject of labour migration that explain various aspects of this phenomenon. In the work „Worlds in Motion: Understanding International Migration at the End of the Millennium” scientists D. Massey, J. Arango, A. Koucouci, A. Pelligrino, E. Taylor presented a new theory of labour migration - The Synthetic Theory, which explains the emergence and features of the phenomenon of international migration at the beginning of the new millennium [7]. According to this theory, in a global context in which countries are transitioning towards a market economy and new regional economic spaces appear, a collapse of traditional social and economic relations is taking place, which increases the mobility of certain population groups seeking new ways of deriving income for their survival. Thus, migration flows do not arise in isolated regions, but in regions undergoing economic transformation and attempting to integrate into the international economic circuit. The phenomenon of migration is, therefore, not a deficiency of the mechanism of market development, but its consequence. In this context, international labour migration is an important factor in determining globalisation, which connects migrants' destination and origin countries and influences the economic development of these countries, as well as the development of the global economy as a whole.

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The needs of the Moldovan diaspora through the prism of Maslow's Hierarchy

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Abstract. *One of the important effects of migration for the entire world is the creation of diasporas abroad. The creation of the Moldovan diaspora represents a relatively new process. This article presents the evolution of the needs of the Moldovan diaspora through the prism of Maslow's hierarchy as well as the ways in which these basic needs along with the self-fulfilment needs can be satisfied. The author also describes the evolution of the needs of the Moldovan diaspora throughout the seven editions of the Congress of the Moldovan Diaspora, the strengths, the aspects requiring improvement and the suggestions that would help the members of the diaspora meet their aspirations and goals.*

Keywords: *diaspora, migrants' needs, countries of origin, development, Maslow's hierarchy, motivation.*

Introduction

The classic term 'diaspora' enters the Romanian language from the French vocabulary and has originally been borrowed from Greek, where it used to refer to all the Hebrew communities dispersed due to the fall of Jerusalem. It was also defined as an ethnic group found outside its country of origin. The word is composed of the prefix '*dia*', meaning "around" and '*spora*' – a word whose Greek meaning is

"scatter". However, the previously presented definition referring to the expulsion of the Jews from Jerusalem bears a negative sentiment related to the loss of their ancestor's land and desire to retrieve it. In his work "Diasporas in Modern Societies: Myths of Homeland and Return" published in 1991, William Safran, a political science professor at the University of Colorado, refers to the notions of trauma, exile and nostalgia within the definition of the word "diaspora". He also sets out a list of characteristics of diasporas:

- Dispersal from the "centre" to two or more foreign regions;
- Keeping a "collective memory" of the homeland;
- Partial or total exclusion or marginalisation from the host society;
- Desire to return home;
- Supporting the country of origin;
- Sharing a collective conscience, having reciprocal solidarity. [4]

However, this attempt at presenting a definition for "diaspora" based on the memories of a single diaspora community – the Hebrew one, turned out not to be sufficiently comprehensive. Later, in 1997, James Clifford - a historian at the University of California, Santa Cruz, defined the term "diaspora" using ethnographic approaches, through the prism of the historical variety and the complexity of the socio-economic factors, which often form the basis for the migration processes. In 2012, the International Organization for Migration, in its publication "Comment associer les Diasporas au développement", defines the term "diaspora". According to Professor Gabriel Scheffer (University of Jerusalem): "*Modern diasporas represent ethnic minority groups of migrant origins, residing and acting in host countries but maintaining strong sentimental and material links with their countries of origin – their homelands.*"[8] Currently, the specialised literature uses the term "diaspora" in the context of defining an ethnic group located outside the country of origin, either temporarily or for an indefinite period of time, or even permanently.

Both recent immigrants, as well as those established for a longer time period in the host countries, have in common their identification with the country of origin and the desire of strengthening their relations with the community of their homeland.

The national Moldovan strategy “Diaspora-2025” defines the term “diaspora” as the totality of Moldovan citizens and of their descendants temporarily or permanently settled outside the country, as well as the communities formed by them. [9] Regardless of the specific motivation one might have for leaving his home country, all factors that determine this decision originate in the desire to meet certain needs, such as improvement of the quality of life of the individual and his family, protection against

environmental degradation, avoidance of political conflicts and natural disasters, opportunities for professional growth etc.

Maslow’s hierarchy of needs

In 1954, the American humanistic psychologist Abraham Maslow introduced the concept of the *human hierarchy of needs*. He argued that human beings are motivated by certain unsatisfied needs and that the needs positioned on the lower levels of the “pyramid of needs” must be satisfied before those closer to the top. Although all needs are instinctive, not all are equally strong. The strongest needs were placed at the bottom of the pyramid of needs. Higher the position of a need within the pyramid – the weaker and more specific to the individual it becomes. [11]

Figure1: Maslow's Hierarchy of Needs

Source: <http://www.simplypsychology.org/maslow.html>



If we look at Maslow’s theory, which is, perhaps, the simplest theory of human motivation, *motivation* is the basis of human actions and one requires to first satisfy his most basic needs. Analysing the phenomenon of migration in Moldova in the last 20 years, one can apply this theory to justify some citizens’ decision to leave the country, as well as to identify the main needs that determined this

decision. Individuals who did lack the minimal resources for satisfying their *basic needs* usually tend to satisfy them by migrating to areas where these resources are available. This correlation between the citizens’ needs and the level of their availability in different regions of the world is exploited by some companies, organisations and even governments. [2]

The needs of the Moldovan diaspora in the light of the seven Diaspora Congresses

With more than 1 million out of 3.5 million Moldovan citizens residing abroad, according to the data provided by the National Bureau of Statistics on 1st of January 2016, Moldova had to learn on the fly how to design diaspora related policies, as the migration process has been continuously intensifying. The institutional and regulatory cooperation between the host country organisations representing the Moldovan diaspora, despite all the developments since 2000 still cannot be regarded as a framework corresponding to the magnitude of the migration phenomenon. However, by the Government Decision no. 1322 from 29th of December 2000 the main directives for the support of Moldovans residing abroad were adopted, being categorised in four areas: human rights, culture, education and training, social protection [1]. Later, action programs aiming at strengthening the collaboration between the Moldovan diaspora and the national authorities have been periodically added to them. The most important achievement in this respect is the establishment of the practice of organising the Congress of the Moldovan Diaspora. Considering the topics discussed at these congresses, as well as the resolutions drafted by diaspora representatives at the end of each meeting, we can outline an evolution of the needs of the Moldovan diaspora according to Maslow's hierarchy.

The first congress of this kind was held in Chisinau from 7-9 October 2004 with the participation of 250 delegates from 18 countries and had a formal character. Neither the press nor the organisers did not promote the event in the media. Being at an early stage, the congress did not result in the adoption of any important decisions. The second congress was held in Chisinau from 12-14 October 2006 and analysed the program of actions for the support of Moldovans residing abroad for the period of 2006-2009.

In 2007, IOM Moldova, in collaboration with the Kiel Institute for the World Economy conducted the study "Patterns and Trends of Migration and Remittances in Moldova".

According to the obtained results, nearly half of the Moldovan emigrants residing in CIS countries and the EU and a third of the emigrants residing in other countries declared the insufficient subsistence means as the main reason for their emigration. Populations that migrate to an area with high living standards, are primarily looking to fulfil their basic needs. Thus, the difficulties encountered in satisfying the basic needs according to Maslow's hierarchy – the need for food, shelter, health assistance and other essential elements for the livelihood of the individual and his family – were the root cause of people emigrating from Moldova [3]. In his studies, Maslow claims that these needs are instinctive and without fulfilling the needs at the lower levels of the pyramid, an individual would not be able to fulfil those positioned on higher levels.

The organisation of the second Congress coincided with the period when the communities of migrants had already taken shape, and, having passed the stage of fulfilling their basic needs, were looking towards fulfilling their needs for personal and family safety. Some of the issues brought up at the second Congress of the Moldovan diaspora were: financial security, job security, the quality of the retirement plan, the need for security from being bullied and for general security that helps achieve peace of mind required for efficiently carrying out everyday activities. The opening of consulates and diplomatic missions in countries where communities of Moldovan emigrants had formed were also discussed.

The third edition of the Congress took place between 12-14 October 2008, there was organised the third edition of the congress dedicated to the anniversary of 650 years from the foundation of the Moldovan state. The issue discussed was the strengthening of relations with the Moldovan diaspora by the creation of a special fund to support Moldovan education and cultural development of the Moldovan diaspora, as well as opening a museum of the Moldovan diaspora. The issues discussed were related to the third category of needs from Maslow's hierarchy: the need of belonging to a group, to a community of social interaction. Once the physiological and security needs had been satisfied, the diaspora brought forward its need

to promote the Moldovan culture and communication among the fellow citizens in the communities of migrants, for which it required more informational support (through the provision of Moldovan periodicals, for example), an affordable telephone network etc. Unlike the representatives of the Diaspora, the natives of countries hosting our migrants, do not follow Maslow's hierarchy in the same way as the migrants, mainly because their physiological and safety needs have often already been ensured. Even satisfying the need of belonging to a social group is not always a problem. They are usually motivated by the desire of self-affirmation, which is usually difficult to achieve in highly developed societies.

From 12-14 October 2010, the fourth Congress of the Moldovan Diaspora took place. This forum brought together 110 Moldovans living in 31 countries and marked a qualitative transformation in the true activity of this platform of dialogue between the Moldovan authorities and the diaspora. It was the first time when the authorities have suggested to create a State Agency for the diaspora and to elaborate mechanisms to increase the involvement of the diaspora in the decision-making processes related to the economic, social, cultural and scientific development of the country. Some of the most important revindications of the forum participants were:

- A.** Including leaders of diaspora organisations in official delegations during the official visits of Moldovans abroad;
- B.** Support for the creation of Moldovan Cultural Centres in cities with a large Moldovan diaspora;
- C.** Promoting effective communication policies aimed at involving of the diaspora in the economic, social and political life of the Republic of Moldova;
- D.** Supporting the Moldovan Diaspora in promoting the European integration of the country and its general welfare.

Thus, the fourth congress raised the issue of increasing the level of self-esteem among the members of the diaspora. The main themes of the congress were: the strengthening of the communities belonging to the Moldovan diaspora in the view of promoting the national interests and a positive image of the Republic of Moldova; the mobilization of diaspora's

associations, of the central public authorities, the international organizations and the civil society of Moldova to jointly contribute to the sustainable development of the country. In the suite of events related to the Congress, book exhibitions, meetings with artists, visits to specific tourist attractions in Moldova and various other cultural events were organised.

At this level of the pyramid, Maslow shows two versions of the need for self-esteem: the "simpler" version represents the need for gaining respect and recognition from others and from the state, the need for gratitude, appreciation, good reputation, dignity and even dominance. The more "evolved" form is related to such feelings as trust, achievement, freedom and independence. The second form of self-esteem is considered superior because once achieved, it is more durable than the first one.

The need for belonging to a social community and the need for high self-esteem were further highlighted in the framework of the fifth Congress of Diaspora, which was held between 11-13 October 2012. The participants came from 50 Diaspora associations in 33 countries. This time, the issues raised were targeting the strengthening of collaboration between diasporas, as well as between diasporas and the Republic of Moldova, the creation of employment and business opportunities in the country, staying in contact with the individuals from the diaspora who were activating in the field of science, strengthening the economic bonds with the diaspora and the implementation of new projects for migrants, including opportunities for young people to study abroad [7]. On the second day of the Congress, the first "visible" results of the programs implemented by Moldova's International Organization for Migration were reviewed, namely the results of the "Pilot Program for Attracting Remittances in Economy" - "PARE 1+1", and of the study "Mapping the Moldovan Diaspora in Russia and four European countries of destination". The series of congress events also included the presentation of the results of the information and awareness campaign "No one is alone on earth" targeted at the Moldovan diaspora in Italy. A workshop was also conducted by the scientists from the Moldovan diaspora, with the title "Migrants and development of highly skilled

research and innovation in Moldova: the need for a structured (strategic) vision”.

The last level of Maslow's hierarchy contains the need for self-accomplishment, a necessity which, Maslow claims, can sometimes be stronger than the most fundamental needs, such as the need for nutrition. The need for self-accomplishment represents the individual's desire to achieve his full potential - the maximum level of self-realization. To satisfy this need, one requires opportunities for continuous self-improvement and creative development of his skills. Self-accomplishment also stands for the feeling of inner balance, integrity and general satisfaction with one's life. Although every individual has the instinctive need for self-realization, Maslow believes that there are very few people actively working towards satisfying this need simply because they have not yet fulfilled the most basic ones.

The Romanian economist Blănculescu Ionel, claims, in one of his interviews, that migration follows a kind of Maslow pyramid, which lists the human needs from the physiological needs to the aspirational ones. He also mentions that the main reason for Romanians emigrating preponderantly to Italy and Spain (countries whose organisational culture is easier to adapt to) is that they have greater ambitions than their state can support them in achieving. For the same reason, the Spanish and the Italians tend to migrate to France and the UK, while the Germans, the French and the British mostly migrate to the United States.

In 1970 Maslow published a revision of his pyramid from 1954, placing the *cognitive needs*, represented by the needs to learn, to understand and to explore, on the top of the new pyramid. The same evolutionary needs characterise the Moldovan communities abroad whose voice is now heard more often. Having established the practice of organising conferences every two years, the diaspora extended its space of influence, starting to regularly express its position on topics of current interest related to Moldova. Organising conferences for the diaspora allowed to promote the success stories of Moldovan emigrants who have come back and managed to launch a business at home. Such conferences allow

migrants to share their experience and useful information to other members of the diaspora. Another fruitful result is the launch of such grants programs as the Diaspora Engagement Hub, which aims to support Moldovans abroad in putting their ideas into practice and to valorise the human capital of the diaspora. The Gala of the Moldovan students, which celebrated the achievements of the exceptional undergraduate and graduate Moldovan students studying abroad is yet another fruitful project implemented, starting with 2013, by the Moldovan government in partnership with various international organizations in the view of supporting the members of the diaspora to achieve their individual potential and contribute to the national development.

In August 2016, the seventh Congress of the Diaspora resulted in the adoption of a resolution containing a number of claims made by the Diaspora, related to Moldova's political instability. It targets specific topics related not just to the interests of the Moldovans abroad, but also to the interests of all citizens of Moldova:

1. Publication of the results of the 2014 census;
2. Provision of the freedom of the press in Moldova;
3. Use of the financial resources allocated to the diaspora in an equitable manner, regardless of the political affiliation of individuals and communities.
4. Assurance of equality and equity between the diaspora associations;
5. Efficient organisation of the Congresses of the Moldovan Diaspora.

Reviewing the hierarchy needs, Maslow claims that, while the needs that the individual strives to satisfy move towards the top of the pyramid, some of them persist, namely those at the bottom of the pyramid – the physiological and safety needs. Without their satisfaction, fulfilling more 'evolved' needs become virtually impossible. While the individual might not pay much attention to them when they are satisfied, a complete neglect of these needs leads to a deep feeling of discomfort. [10] One may easily notice how the needs of the Moldovan diaspora have evolved from the first Congress, the diaspora

organisations reaching a level of maturity. At the same time, one can identify the persistence of several issues in the agenda of the Congress, remaining unresolved in the dialogue of diaspora with the national authorities, and namely: the issue of establishing well-functioning consulates and diplomatic missions, the issue of appointing honorary consuls, the issue of regularly distributing publications of interest to the members of the diaspora etc.

Maslow also mentions the important fact that, under stressful conditions, the current needs of an individual might go back to a lower level of the hierarchy. In conditions of war, the need for self-affirmation is sacrificed in front of the concerns related to life safety. In the same way, in the case of a job loss, an individual's priority becomes fulfilling the basic needs related to nutrition, sleep, availability of a shelter etc. In this regard, an interesting example is that of Greece: according to the study "Migration as a security issue", conducted in Bucharest in 2014, due to the economic downturn between 2010-2012, the gross rate of net migration was -4.7 %. The explanation of the transformation of Greece from an economically attractive country into one from which people want to emigrate is that the country has been hit hard by the global economic and financial crisis, experiencing a six-year-long recession. Also, the extremely high public debt put a lot of pressure on the Greek economy. [5]

Conclusions

Having examined the main topics and areas of interest discussed during the seventh Congress of the Moldovan Diaspora through the prism of Maslow's "Pyramid of Needs", we notice an evolution in the needs of the Moldovan Diaspora, with the current ones moving towards the level representing the need for self-realization. The fact that Moldovan citizens have not yet found "fertile ground" for satisfying their individual and community needs at home and choose to fulfil their aspirations in foreign countries does not mean that migration is by itself a lost cause.

The welfare of the society, ultimately, depends on a variety of factors, material wealth

being only one of them. For some individuals, living in a society that is free from such restrictions as preventing the free movement of labour, may be more important than the availability of opportunities of acquiring wealth. For others, the social environment in which they activate matters more than the degree of financial stratification of the society. In other words, *welfare is subjective*; it depends on personal considerations, priorities and preferences and is not always determined by the material conditions.

Nevertheless, there are certain actions that would considerably help the Moldovan diaspora in fulfilling its needs:

- The establishment of functional and reliable communication channels between the diaspora and the Moldovan citizens at home in the view of informing the former about the economic and work opportunities in Moldova.
- Distributing publications in the Romanian language to communicate events in the political, economic, social and cultural spheres to the diaspora and to consolidate the communities of Moldovan emigrants;
- Providing financial support to the already established diaspora associations as well as creating new ones;
- Supporting the involvement of the diaspora in the approval and implementation of policies for the future of Moldova;
- Supporting the activities of the Moldovan embassies and diplomatic missions in the host countries to improve the dialogue with the diaspora;

In conclusion, the diaspora represents a very important human resource for the country of origin. Having already passed the stage of fulfilling its basic needs in the frame of Maslow's pyramid, the Moldovan diaspora is ready to offer to its home country highly-skilled and motivated individuals. Moldova can considerably benefit from the abilities and knowledge these individuals have accumulated abroad by motivating and supporting them in implementing the projects they aspire towards, at home.

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