HIDDEN THREATS BEHIND ROMANIA'S CONGRUOUS BORROWING – CASE STUDY

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The global financial crisis deeply marked the East-European emerging economies especially, which barely passed the dramatic transition, had taken the benefits of their first years of membership and had experienced significant growth until mid-2008. Then they followed downward trends, with individual rhythms of evolution and different manifestations comparing each economy to another in this panel of countries. Since generalized and chronic deficits caused indebtedness of these countries, the first corrective action was cutting most of their public spending, aiming at fiscal consolidation and economic recovery. Despite the goal pursued and declared by the governors, not only Euro-scepticism was encouraged by the unexpected turn of the economic developments but also extremism and even secessionist movements. The purpose of this paper is to assess Romania's profile in the context of European sovereign debt crisis. Amid this conjuncture together with the failure of the well-known foundations of economic theory, the author tends to suggest acceptable solutions to get the country out of crisis, thus ensuring the continuation of the complex process of Europeanization.

Keywords: Sovereign Debt, fiscal crisis, transition process, Romania, ex-socialist country, EU and EMU membership

Introductory notes

Stability of the financial system and the functioning of the domestic market have been severely affected by the global economic crisis. Excessive cautions in lending and gradual slowing of production are the main characteristics of the current global economy, which generated financial bottlenecks and layoffs, while resizing activities and firms to maintain them on market led to rising unemployment and widespread the protests. To preserving trust and coherence in the market, meaning to preserve and even to improve the conditions for creating a fully integrated and functioning market and sound financial services, the reconfiguration of the financial system is the essential measure aiming at maintaining it stable and reliable.

Usually, after a major economic crisis, new results in reflection and introspection are reached inevitably. Identifying mistakes and looking for answers help finding proper solutions so that these mistakes could not happen again. In the rush to find the culprits and give verdicts, most often in-depth understanding of what is actually happening might be lost and also may pave the way to greater risks of repeating the same mistakes in the future.

The current international financial crisis impacted on the world economy acutely.

Eastern Europe and the emerging economies in particular had risen significantly until mid-2008, followed by downward trends in 2009 and 2010, while in the 2[nd] part of 2011 signs of revival were shown more obviously.

Economic and financial annalists, as well as all EU policy makers have imagined and implemented various plans and actions to fight the financial crisis, to stimulate the fiscal revenues and to generate growth.

In several European countries, fiscal consolidation was the first and steady target approached, mainly based on extensive measures of public spending cuts and debt reduction. But these policies were hardly accepted by the population, encouraged strong Euro-scepticism and generated the guidelines for many extremist nationalist and even secessionist movements.

In other frames, efforts to combat the crisis had determined numerous measures to reduce the interest and to resumption of the lending, so that consumption and investments were to be stimulated gradually.

Unfortunately, these policies proved insufficiently effective comparing to the intended purposes, the results were not high enough to the expectations, since inflation and unemployment still continued to affect many European countries.

Moreover, the unemployment prevalence of the young people is the most worrying consequence, which increases the mess, uncertainty and the risk of major social conflicts.

The paper intends to analyze Romania's position in the context of the sovereign debt crisis and amid the existing problems in the euro area, scrutinizing the relevant steps that Member States affected by this phenomenon made.

Also, joining the voices of the younger generation interested in the future, the author reveals the intention (somewhat shy) to identify solutions to the actual crisis and to continuation the Europeanization process of the country.

1 - Brief theoretical and factual connotations

After the most usual definition found in the literature, a crisis means economic growth interruption either relative to its previous occurrence or to the estimated rhythm for the corresponding period in the future. Any crisis signifies a strong threat, which is able to affect the political leaders' aims in a very short time for reaction before the situation evolve in an undesired event or effect, meaning surprise of any kind. Most likely, a crisis can spread in those countries where several major drawbacks can be identified:

- insufficient international reserves to defend the stability of the national currency,
- poorly developed banking system and
- recent significant appreciation of the currency.

Bearing in mind the classical Keynes' definition - and which confirms once again its validity, when aggregate demand falls, the crisis was installed and with a view to limiting the economic fluctuations, government intervention through monetary or fiscal policy mix is required.

The realities of the recent and enough violent financial turmoil in the last year Europe have determined, for governments, governed and academics as well, very controversial and contradictory attitudes and choices regarding the prevalence of one or another macroeconomic policy designed to address the crisis.

However, the necessity of government intervention met the general consensus and the regional materialization of this concept came both through *bail-out* measures - when Greece and Ireland were helped to overcome their imminent bankruptcy by large sum of money borrowed by the *Troika*, and through *bail-in* measures as well, like those enforced in the spring of 2013, when saving the Cypriot banking system was made on the prerequisite of the partial support of its own deposits and depositors.

Although the importance of fiscal policy was always recognized as an instrument to fight the economic crisis, many bankers and analysts believe that the monetary policy should play the central role in the framework of the contemporary conjuncture, arguing that it would be a more effective intervention for the economic recovery.

Nevertheless, the phenomena derived as side effects of the actual crisis unnaturally high lightens not only the importance, but also the positioning of the fiscal policy itself as a zero ranking priority, given the acuity of the fiscal crisis that still disturbs Europe.

However, the financial and fiscal turmoil which is destabilizing the social and economic situation of the entire European continent in the recent years have their stems in certain earlier times and events, thus heavily contributing to the increased intensity of the consequences which are felt today.

The *decade of shocks*, as the economic literature often dubbed it, the eighth decade of the twentieth century had meant worsening multiple planetary crises, among which the debt crisis is included and whose explosion was prepared by several factors' joint action.

Both precarious socio-economic conditions and low participation in the international trade led the developing countries to accumulate a huge external debt, which grew more and more, structurally pronounced amid their chronic deficits in the financial and macroeconomic management.

Given the need to reduce the growing gap between the indebted and the developed countries, a thousand and one transfers of funds were made and evidenced their huge foreign debt.

Specifically, two coexisting trends have constantly interwoven:

♦ on the one hand - slow growth of the net transfers of public financial resources, through the official multilateral public funding and bilateral development aid, and

♦ on the other hand - gradual decline of the net transfers of private financial resources, represented by loans from private banks and export crediting.

The result of these trends consisted of a more pertinent flow of negative resources (from developing countries), more intense than the flow of positive resources (from developed countries).

The phenomenon has generated a dangerous vicious circle: while new loans were awarded (so necessary to solve their challenging problems), the socio-economic development of the developing countries had deteriorated enormously, whereas the burden of the previous loans restitution, together with the interest thereon at maturity had contributed to that end.

The collapse of the hyper centralized regimes, which occurred after the fall of the Berlin Wall, enlarged the squad of countries with increasing need for financial resources. Decades of frustrations endured by their population, as well as the unexpected inborn costs of their efforts for the regional integration, are but a few of the many explanations for their current indebtedness.

2 - Configuration of the current financial environment

The lack of strict and generally accepted regulations on the international financial market increased states' vulnerabilities against the economic crises and also worsened the internal problems in this area. The current context of economic interdependences thwarts the implementation of the restrictive financial policies of a state even in its geo-political area, whereas the intersection of the global financial flows seriously increases the risk of contagion.

Dominated by trade, finance, banking and capital markets, the global economy is increasingly clear looming as a vast empire with fluctuating and unpredictable trends of instability.

As a result of the negative effects of the international financial crisis, there are new alliances - and often bizarre - between different countries and entities linked by various types of financing, loan or other similar financial schemes brought into effect to overcome the crisis.

But the very disturbing consequence of the current financial crisis is that the fundamental flaws defined as the so-called "original sin" of the Eurozone are vigorously enhanced in such circumstances.

This is about those foretold shortcomings, a great while approached and debated by different Euro-sceptics on both sides of the Atlantic since the Euro's preparatory launch decade.

Despite these obvious disorders, the former socialist countries still prefer the Euro-Atlantic context, which continues to be a challenge, a valuable goal for them, not only due to significant and much needed financial support, but also because it offers structural opportunities at least to remediate, if not to eliminate the highlighted dysfunctions.

The Euro-Atlantic context focuses superior motivation for these countries comparing to the alternative of gravitating in an opaque and toxic space as the one they already experienced during the totalitarian decades and of whose detachment, many costs and drama resulted.

Therefore, the ex-socialist countries, admitted in the last decade EU enlargements, have "digested" with relative ease the philosophy of austerity and the brutal cuts defining the new rules of public expenditures management, even if this meant the implementation of a questionable formula, extensively discussed and negotiated by the partners with a view to unifying the supervision of the financial and banking system, and to creating a rich fund for the financial crisis.

In all the cases, whereas every choice simultaneously involves a waiver, the remedial steps against the reported dysfunction (some of which are very difficult to overcome) require significant sacrifices of the EU member countries governments' autonomy and thus new and complicated problems had risen.

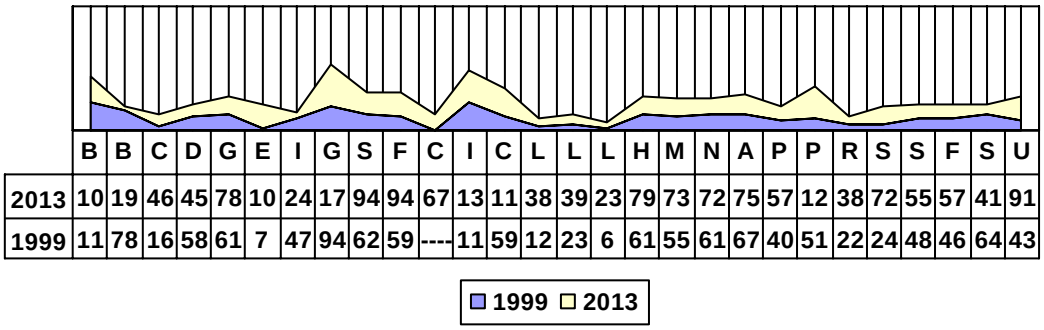
3 - What is different in this crisis?

Financial and economic crises are a recurrent phenomenon that always accompanied the development of the capitalist system. At the end of several thorough analysis of banking and financial crisis in 66 developed countries and less developed, beginning in the early nineteenth century and up to the recent financial crisis, renowned contemporary authors have made an inventory of the crises that have troubled company on a wide period of time since 1800 until now.

Their is that both developed and sophisticated banking and financial systems as in the rich countries and the simple and fragile ones as in the countries with lower per capita income, are equally susceptible to periodic crises.

Moreover, regardless of the specific country's features, parallels between quantitative and qualitative characteristics of crisis like this are remarkable.

Fig. 1



Source: Author made on Eurostat Data - Date of extraction: 28 Sep 2014 12:48:51 CEST
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The current economic crisis that began in July 2007 was initially called as a *credit crisis,* was considered as the greatest economic crisis since the well-known Great Depression of 1929-1930. It was detonated by the *"asset backed securities",* meaning the loss of investors' confidence in the financial assets based on pools of securitized mortgages issued by the American market.

Then it led to a broader liquidity crisis, followed by a large infusion of liquidity in the system coming from the FED and ECB. The first real effects of the current global financial crisis came amid the mismanagement of investment funds, which had expanded rapidly and were deeply felt on all economies of the world.

The international economic crisis caused thorough both business', firms' and institutions' reorganization, as well as major layoffs, increased cross-border migration for economic reasons and steep bankruptcies of some popular banking and financial institutions which were loudly played in the media all over the world. Thus, the instability was widespread.

Specific turning of the global financial crisis was foreseen with some clarity since 2009, when certain European countries have experienced signs of fiscal crisis and debt, and then, in early 2010, the situation had become very tense, especially when even some Euro zone's founding Member States were affected, including Greece, Ireland, Portugal and several other European non-Euro countries. Despite the fact that in 2008 the collapse of its entire banking system was signalled, Iceland seemed to be less affected by the impending sovereign debt crisis.

In the EU, especially in those countries where sovereign debts have increased sharply, a crisis of confidence has also emerged at the same time with the widening of bond yield spreads and credit risk insurance between these countries and the other EU members, Germany being the most important of them. While the sovereign debt increases were most pronounced in only a few Eurozone countries, the danger of contagion became threatening for the entire Union.

The intensity and the heavy consequences caused by the economic and financial crisis are due to the fact that the vast majority of the states were simply *gormandized* themselves, thus consuming their future in the present.

The economic crises, wars and social unrest always represented and fuelled the greatest dangers to any democracy, and the whole history of the European continent contains and holds very rich demonstrations that confirm this axiom.

This deep crisis, felt like the Euro zone's first crisis since its establishment in 1999, is still demonstrating that this grandiose monetary complex, which was designed to operate in the long term, ensuring a sound balance and generalized wellbeing, is still quite far from being an optimal currency area. Through their severity and depth, the events of the recent years have revived an old an well-known fear, that even in the advanced economies, the governments usually prove a ghastly tendency to aggravate their states' sovereign debts and thus they could easily unleash a real global financial tsunami. In turn, financial markets also tried to impose higher yields, to maintain a high degree of purchasing the real estate values in apparently different countries.

The Euro-Atlantic decades before the Berlin Wall's falling and afterwards seem to have witnessed a strange disease of the democracy that became an *immune deficiency*, because the antibodies, which the democracy itself produces, might lead to its very destruction. It is about the *democratic populism*, which is represented in all the current Western governments right off the

pacification of the European continent. Its promising slogans turned the peoples out to building an extensive social welfare as based on the classic principles of the traditional democracy.
However, the insatiable desire of *more* and *better* grew in time and generated political promises, more or less achievable and whose results are visible everywhere.

Naturally, there is a subtle difference between the root causes of the crisis phenomena which now corrode the Western European continent, on the one hand, and the platoon of East-Central Europe, on the other hand. While in the West countries charismatic leaders have succeeded and have promised ever more than they really could implement, thus gradually deteriorating the balance of the rule of law which was endowed with functioning institutions, the Eastern Europe countries, emerging from the tragedy of the totalitarian experiment, with great illusions had desperately taken the plunge in the Western-style democratic system.

Unfortunately, the painful transitional process from dictatorship to democracy implied new types of dramas and many cumbrous costs as well.

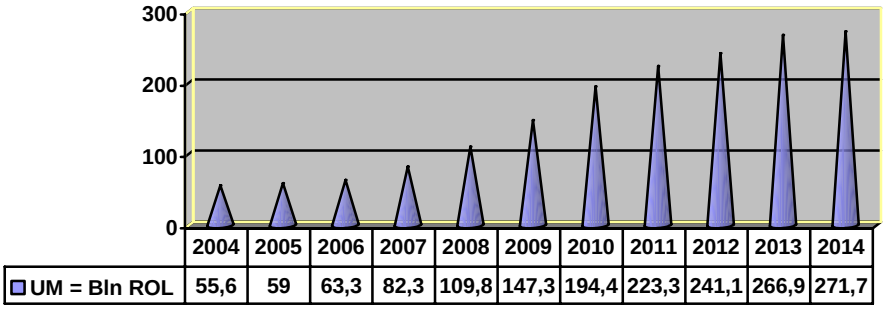
Therefore, the concern and anxiety of these countries which still go through the post-communist mess are understandable, whereas they still face many socio-economic and institutional problems, the prospects of the external financial (and not only) support continue its erosion and darken their future expectations.

4 - The newest Romania's radiography

The conclusions inserted in the *"Vulnerability assessment and public debt sustainability",* the Court of Auditors' Report which was recently released, certify that, in 2009-2012, the public debt increased with a very alert rate which exceeded the pace of the economic growth.

The absolute value of the public debt of ROL 271 Bln (meaning nearly Euro 62 Bln), is two and a half times higher than the level from 2008, the year when the economic crisis exploded in Romania.

Romanian Public Debt Dynamics Between 2004 – 2014



Source: Author made on Public Finance Department data

Given that the high–blown loans were mainly intended for covering salaries and pensions, rather than productive investment, it means that every Romanian citizen ought to pay 3,000 euros for the state's debt, i.e. 15% more than in 2012 and even 30% more than in 2010.

Fig. No. 2 Dynamics of Romnia's Public Debt between 2010 – 2013

Year	Public Debt UM=Mln ROL	Public Debt UM= Mln EURO	Romania's Population (persons)	Public Debt UM = Euro / capita
0	1	2	3	4=2/3 x 1.000.000
2010	194.459,2	45.383,5	21.431298	2.117,6
2011	223.268,0	51.686,0	21.354,396	2.420,4
2012	240.842,6	54.382,2	21.316.420	2.551,2
2013	267.150,9	59.569,4	20.030.000	2.974,0

Source: http://cursdeguvernare.ro/datoria-publica-in-evaluarea-curtii-de-conturi-ministerul-finantelor-a-asigurat-bancilor-un-venit-sigur-si-plasamente-fara-risc.html

Additionally, the financing of the external project raised a real concern for its debt level which was lower than the debt intended for supporting the balance of payments.

The trend of growth still continues to the present (the Report covers data up to 2013), as long as the government continues to take money for consumption and not for generating productive investment.

While the EU debt average reached at 86.8% rate to GDP, and in Euroland at 92.7% to GDP, Romania ranks five among the least indebted states, but, because the debt continues the pressure on future generations, it becomes more risky as long as it does not create proper conditions for the future economic growth.

Fig. No. 3 Gross General Government Debt

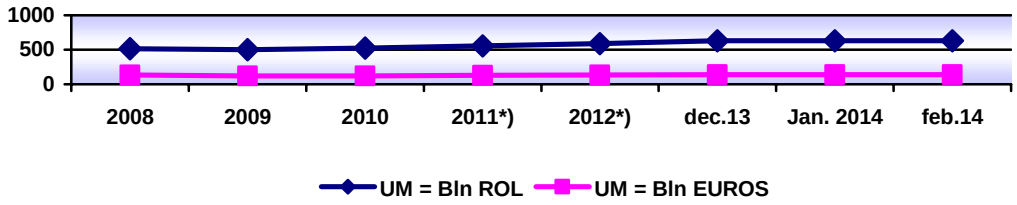
Percentage of GDP **UM= Milion EURO**

Time / Geo	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU (28 countries)	:	:	:	60.3	61.8	62.1	62.6	61.4	58.8	62	74.4	79.9	82.4	85.2	87.1
EU (27 countries)	65.6	61.8	60.9	60.3	61.9	62.2	62.7	61.5	58.9	62.2	74.5	80.2	82.7	85.5	87.4
Euro area (18 countries)	71.6	69.2	68.1	68	69.1	69.6	70.2	68.5	66.2	70.1	80	85.5	87.4	90.7	92.6
Euro area (17 countries)	71.7	69.2	68.2	68	69.2	69.6	70.3	68.6	66.4	70.2	80.1	85.6	87.5	90.8	92.7
Romania	21.7	22.5	25.7	24.9	21.5	18.7	15.8	12.4	12.8	13.4	23.6	30.5	34.7	38	38.4

Source: author made upon Eurostat data; updated – 19.09.2014; extracted on 28.09.2014
http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdde410

Increasing government debt in a faster pace than the economic growth determines the increased risk of the country's insolvency, requiring a very careful approach to the decision makers.

Fig. No. 4 Dynamics of Romania's PIB between 2008 -2014 (Q1)



Source: author made based on Public Administration Debt
According to the EU Methodology (Government's Debt) 2008 – 2014 (Q1)

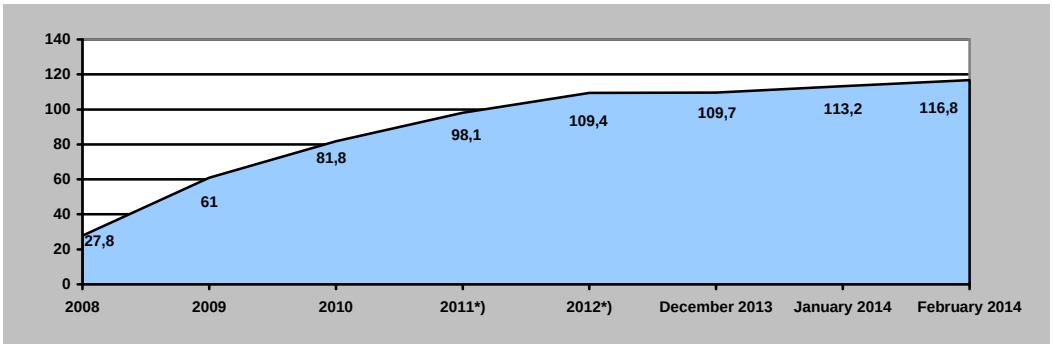
Structural analysis of the total government debt also shows considerable increase in the share of the financial obligations to creditors of the foreign market.

Thus, from 38.8% as it was in 2010, it reached 45.5% in 2012, while significantly decreasing the weight of the state's obligations to the lenders in the domestic market. This was due to the poor potential of the local capital, still insufficiently developed during the short Euro-Atlantic spring before the crisis. As an alarming fact, currency depreciation is shown to be a very important increasing determinant of the public debt, which has led to tough efforts to strengthening the liquidity reserves of the Treasury, apart from the usual funding deficit.

a) Government domestic debt

During 2010-2012, the domestic government debt was wholly owned by the banking sector, thus creating a vicious circle between the sovereign debt and the need of banking consolidation, i. e. a circumstance of which the private banking sector took considerable advantage, whereas it received easily a great and secure income and risk-free investments as well.

Fig. No. 5 Public administration domestic debt



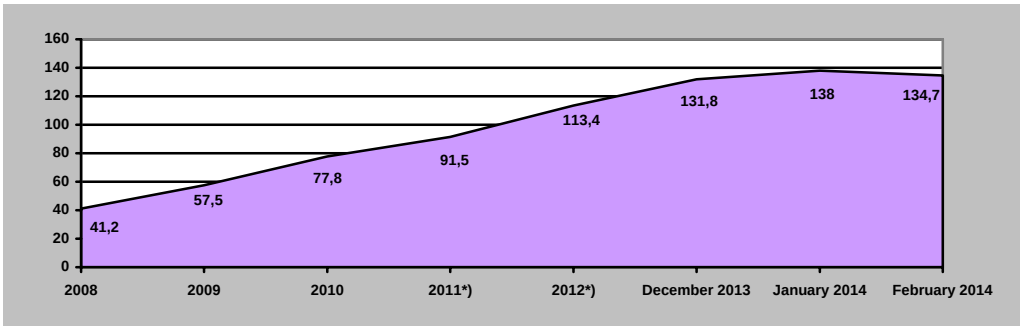
Source: author made based Public Administration Debt According to the EU Methodology (Government's Debt) 2008 – 2014 (Q1)

Actually, the general context is marked by predictable and impending tensions because short maturity loans contracted on the domestic market are ominous. At the same time, they also have the highest share in total government debt structure, increasing the need for refinancing the domestic government debt and also boosting the danger of state exposure to the risks of liquidity and refinancing

b) Government foreign debt

According to the findings of the above mentioned *Report*, the share of foreign loans contracted to finance main projects for the Romanian economy in total external public debt reached 36.5% in 2012, considered as the lowest level.

Fig. No. 6 Public Administration external debt



Source: author made based Public Administration Debt According to the EU Methodology (Government's Debt) 2008 – 2014 (Q1)

The situation is even more desperate as the projects programmed through external financing are meant to boost sustainably the entire economy, to ensure the sustainable progress and economic capacity to generate public revenues and capital gains. Instead, priorities were reversed, these goals were postponed or even cancelled and foreign government indebtedness widened.

The same trend for the recent future continues to be threatening, because the indebtedness is oriented to financing the budgetary deficit and public debt, the balance of payments and also to strengthening the foreign exchange reserves. The low level of foreign loans intended for long term and viable investment projects reveals serious managerial deficiencies in the management of European funding, which is likely to damage trade and macroeconomic balances very severely.

According to many authorized voices' opinions, the economic policies are part of a certain paradigm of underdevelopment, since the robust long term economic growth and productive investment are systematically delayed or even sacrificed, and instead, a temporary and illusory wealth has been built, but electoral benefits for the governing politicians only were very costly bought.

5 - Quo Vadis, Europe?

At the present day, the economic stagnation deepens in the largest Eurozone economies and not only under the classic formula of credit-crunch. Reduction of the activities and giving up the assets were the most common and nearest at hand solution, but not the most effective one, since as operating with the "liquidity trap", the relaxed monetary policies have significantly reduced their effectiveness. The more or less inspired integrated policy mix as well as those measures oriented towards a severe austerity continues to compress the excessive domestic demand, especially where chain adjustments are to be done and at the same time, these social discontents are flammable and sharpen the nationalist and even separatist movements.

Since 2009, public debt in the EU increased by 30% on average, as indicated by the excessive indebtedness and many firms and households. According to the latest data, the euro area annual inflation reached 0.3%, but unemployment remains at a high average (11%) and even higher than this threshold particularly among young people. The really worrying aspect is that even Germany, considered as the *engine* of the whole Union, has shut off its economic activity. As many annalists say the combination of economic stagnation and deflation could lead to a more severe recurrence of the former crisis, and therefore they anticipate the danger of a debt-deflation in the Eurozone, when lower prices could increase the burden of debt.

If the United States were afraid of a possible but very slow growth, the lack of EU's unitary leadership fuels the generally felt fear for a debt-deflation over large areas of the Eurozone.

Moreover, the external context is further deterring the business climate.

Geo-political and security crisis threatens both the eastern and the southern flank and its materialization on short and medium term consists in the consequences of the multiple sanctions set against Russia. Additionally, the severe impact of these blockade measures removes the prospect of growth in Euroland and thus emerging unforeseen risks will inevitably continue to damage the whole picture.

More than ever in these times an open-minded bold policy is a political imperative, which is to be vigorously conducted by those countries with a large fiscal space.

There are more and more voices advocating for imagination and flexibility in the use of fiscal space, for a nominal GDP targeting, rather than narrow and ineffective inflation or deficit targets.

Facing the drastic realities in the recent years, the theoretical foundations themselves indicate their failure in a severe crisis, by demonstrating that low inflation, high growth and even a budget surplus could not survive as viable, nor sufficient premises for coveted financial stability.

The stagnating Eurozone economy requires quick policy action. Policy-makers ought to do something very fast and not necessarily conventional. The ECB officials have recently recognized the lack of a solid base estimation of inflation, since the outlook worsened and the risk of deflation increases. The figures provided by Eurostat indicating a record 44% unemployment among young people once again confirm the need for swift action and special agreements and concessions instead of certain well-known conventions.

Moreover, Eurozone leaders should agree a coordinated 5% tax cut, extension of budget deficit targets by 3 or 4 years, and issuance of long-term public debt to be purchased by the ECB without sterilisation.

The new *mantra* calls for the ECB to save the Eurozone, even if some scientists' analysis overestimate the power of monetary policy. It means that q*uantitative easing* is the last policy tool available to jumpstart the Eurozone economy.

Therefore, even these days, the ECB greed on the details of extensive programs to purchase asset-backed securities (ABS) simple and transparent, and mortgage bonds denominated in euro.

The programs will begin very shortly, will take two years and will help the Euro zone inflation to return closer to the target of 2% as is set. In response to the threatening social widespread movements, the ECB officials admitted that the structural reforms were insufficient and therefore, visible steps have been glimpsed towards a moderation of the austerity measures, aiming at sustaining the economic recovery and at diluting the actions which have shaken the entire continent.

After carefully processing the lessons taught by the latest year's developments, one could conclude that the EU decision-makers already have a real determination to use all the instruments of synchronized monetary and fiscal policy and structural reforms. At the same time and very consistently, they all reiterate their commitment to continue and to comply with the SGP Pact.

6. The Education Pact - Romanian solution at the cross roads

For Romania, the Western *"social state"* that seemed so brilliant and alluring through the narrow window of ignorance, manipulation and totalitarian trauma, became simply the *"helping state"*. The anti-social numerous and various malformations, were induced by a deeply distorting education, which was accompanied for decades by the official propaganda. These distortions require at least an equal time for remediation.

But instead of the necessary corrections, the old dysfunctions worsened with crude inserting of the populist models, which were not compatible with the local environment, but strongly and skilfully handled by the new politicians whose interest was only avoiding the electoral costs.

After assessing the worrying data about the evolution of Romania's public debt, the consolidation of institutions should be accelerated, so that they should become able to support and implement the remedies usually applied by the traditional democracies for the annihilation of the anti-democratic elements. From their beginning until now, both before and after December Romanian governments were thoroughly deficient, because they first punished harshly, and then, they simply ignored the feedback from the community. Thus the whole society has become alienated, by installing a deep and widespread disinterest for the election of the representatives. Governing actions are full of still unpunished abuses and the gap between the elected ones and the electors continues to expand ominously. Sometimes, Romanian democracy seems but a wishful thinking, a theoretical phrase without a palpable shape in the day-light, as long as it has not the necessary levers to harbour the realities of the state and its citizens' lives.

However, Romania has a huge potential for regeneration and reconfiguration, for recovering the proper rhythm and balance. This is inferred from the obstinate professionalism with which important legal institutions work, being strongly supported by the common peoples and also by a significant number of civic and non-government organizations. It is also mirrored by the radically changed attitude of an increasing number of Romanian citizens and companies.

The record performances that Romanians acquire in all the fields of activity and against many redoubtful world-class competitors is still another outstanding fact which is very frequently found in the daily news.

Hence, Romania can succeed, can *"heal"* the wounds and traumas that inherited from the evil past regime. But Romania cannot reach this goal on one's own, especially in the hot situation that was created in the last few months and which thoroughly intensified the financial turmoil shortcomings. Even in the current situation, one should give salience to Romania's significant efforts and policies that have led to achieving important convergence criteria – i. e. inflation, budgetary deficit and even the debt levels, which still represent difficult tasks for many other countries.

Now, on taking the lead with the new European Commissioners, our expectations turn to a friendlier budgetary construction, especially for the budgetary deficit position, whose low imposed threshold Romania is trying hard to meet, but it also preserves the dangerous of returning to the specific poverty and troubles of the past dictatorship.

Should permissive exemption were admitted for this target, at least for the former socialist countries, their future prospects could certainly improve and they could successfully get over swifter, without misspending precious time or dispelling other sacrificed generations.

A very comprehensive part of the Romanian intelligentsia, together with the disciples and descendants of those who had paid with their blood and lives after installing the devastating totalitarianism, believe that, since the macroeconomics is not any longer a national prerogative, solid Euro - Atlantic institutions can - and should - intensify their monitoring and also they could enforce the right framework for strengthening the rule of law in these countries, thereby turning to profit their certain knowledge in the efficient use of all the related tools.

This year, both politicians and central bank stuff officially established 2019, January 1, as timeframe for entering Eurozone. Nevertheless, the central bank officials strongly urges the adoption of a distinct law intended to consecrate this term explicitly, an implacable law that ought to be unalterable and also impervious to the electoral games and moves, considering that it is the exclusive and most secure assumption for a certain achievement of this ambitious and difficult goal. Taking into account the difficult situation in many fields of activity, among which the public education and health are traditionally the most persecuted social areas, this paper holds forth their inclusion in an expanded panel of convergence criteria.

Specifically, we believe that a binding ceiling of 10% ratio to GDP as allocation oriented to the public education at different levels ought to be included in the Union's documents as a necessary requirement especially for the former socialist countries, as a good spur for their accelerated recovery.

Perhaps, something like the "Education Pact", that could be as convincing and also effective as the well-known Fiscal Pact.

Our argument is that, under the European Monitoring, these sectors, which are very important in any society and all the more so for the ex-socialist countries should be thoroughly reformed, developed and protected from any unfair deprivation and inappropriate allocation of public money.

The experience of the last four or five years have shown that once enacted, a document or EU budgetary certain measure becomes an imperative and then, it is carefully respected and applied by the local policymakers. Once approached and adopted, this beneficent measure would be well welcome from several points of view.

First, it would create solid and long-term guarantees that these peoples, who were for decades the prisoners of a huge jail and propaganda, could easier perceive the subtle difference between *"liberty*" and *"libertinage"* and then, they could deepen their reforming evolution, sustainable development and competitiveness. Thus, these countries could become more quickly compatible to the modern management of all their resources, a fact which certainly lead them to accelerate the progress and their integration.

Second, the Union itself could gather valuable benefits from a decision of the kind. Education, meaning the culture – in general, is rather expensive, but it also generates competitiveness and emancipates the community. It is the strongest force that could widespread the best moral laws and the respect for the rule of law, instead of globalized poverty, crime and corruption, which are the greatest threats of the modern society. Many citizens, whose access to education is currently denied due to their narrow knowledge and very low income, relying mostly on the public money or decision, now, on such premises, they could consequently develop their creativity in their own environment, for their own business and their own living.

Besides, these categories of citizens could become able to discover and efficiently exploit the real opportunities offered by their native local areas, instead of wrenching the door open by the four European liberties, causing damages, violence and so much discomfort both in the Western countries and in theirs own.

Conclusion

Beyond the bilateral analysis and scrutinizing hopefully and with confidence the European perspective that Romanians strongly continue to take in with, perhaps Germany should admit that, actually, the Berlin Wall was more extended than that Berlin brick wall, and therefore, the efforts to eradicate its traces ought to be properly extended over the whole area on which its influence was diffused.

There are several analysts, and the author of this paper is one of them, who use the same vision, the same eye to study two separated sequences in the history and however discovering many similarities.

First, the Bretton Woods moment in 1944, and the Marshall Plan afterwards provided significant investments flows and support, based on consisting in democratic principles and practices, since U.S. assumed the leading role in the effort of rebuilding the world devastated by the 2nd World War.

Second, the 10th decade of the last century, an epoch when some countries had claimed their right to freedom and democracy, having been torn themselves away from the totalitarian orbit and, starting with the collapse of the Berlin Wall, opted for the rule of law and traditional democracy.

From these premises on, one could conclude that the Germany of today, who has firmly gained credibility and the European leadership, should involve more decisively in strengthening the path that Eastern peoples had chosen and for whom the vicissitudes of history are still hiding dangers, traps and well-known faces of ferocious dictatorship.

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