THE SUSTAINABILITY OF ECONOMIC GROWTH BASED ON CONSUMPTION. THE CASE OF ROMANIA

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Abstract
The post-crisis European economy is characterised by slow rates of growth. The consequences of the Great Recession which followed the collapse of the investment bank Lehman Brothers, determined that, on the 15th of September 2008, all the actors of the global economic scene assess the symptoms, dissect the causes, seek explanations on a complex phenomenon both in its essence and evolution. Extensive research showed that the recent financial and economic crisis is based on the structural problems of the global economy, therefore returning to a sustainable growth requires the clarification of the way in which the multiple factors have contributed to the collapse registered at the end of the first decade of the XXIst century. We have reconsidered the theories and models of the economic growth, among the controversial issues being that of the sustainability of economic growth based on consumption at the expense of investment.

Key concepts: *economic growth, development, progress, growth models, consumption, investment, convergence, disparity.*

JEL classification: *E10, E21, F43.*

I. ECONOMIC GROWTH

Economic growth is reflected in the standard of living of a country, but reaching this goal is only possible as a result of a consistent process, of long duration and built on sound foundations. Cambridge Business English Dictionary defines economic growth as an increase in the economy of a country or a region, especially in the market value of the goods and services produced by that country or region[9]. According to Business Dictionary, economic growth is reflected in the increase in the economic capacity of a country, measured by comparing the gross national product (GNP) over a certain year with the GNP of the previous year. The growth of the capital stock, technological developments and improvement of the quality and educational level of the work force are considered the root causes of economic growth, but, in the recent years, the requirements of sustainable development brings about additional environmental factors[10]. Economic growth represents the positive variation of goods and services production in an economy, during a particular period of time, generally long, the most widely used indicator for measuring it being the gross domestic product (GDP)[11].

Seen from another perspective, economic growth represents the global process of upward movement of aggregated economic sizes, referring to a certain period of time, at national and international level, with positive effects both economically and socially. In the narrow sense, economic growth is found in the positive variation of an aggregated economic indicator, namely the gross domestic product (GDP) or GDP per capita, in a clearly delimited economic space. In a wider sense, economic growth is identified as the way in which the totality of quantitative, qualitative and structural economic transformations manifests itself, during a certain period of time, the aggregated indicators having an upward development[12].

An innovative approach, by analogy with the terms used in biology, the "triptych growth-development-crisis" is crucial for macroeconomics, "the aggregated economic facts and acts having a vital character for the social organism" (Drobotă, 1997, pp. 311-313). The Romanian author, citing S. Kuznets, according to which economic growth consists of increasing the capacity of a country to provide more and more economic goods", such as H.W. Arndt who thinks that economic growth represents the "increase in the total national income and per capita". Of importance for the Romanian economist is the definition of François Perroux identifying economic growth with the constant growth "over one or more extended periods (…….), for a nation, of the net global product in real terms, namely the increase in the actual product per capita".

Niţă Drobotă summarizes, saying that, in a wider sense, economic growth assumes taking into account

[9] https://dictionary.cambridge.org/dictionary/english/economic-growth, accessed on the 19.06 2018
[10] http://www.businessdictionary.com/definition/economic-growth.html, accessed on the 19.06.2018
[11] https://ro.wikipedia.org/wiki/Cre%C8%99tere_economic%C4%83, accessed on the 19.06.2018
[12] http://cursdeguvernare.ro/dictionar-economic/crestere-economica, accessed on the 19.06.2018

the total change in the level of economic results, in a certain space and within a specific period of time, whether they are "positive, negative or zero". On the other hand, in a narrow sense, economic growth is considered the quantitative increase of the activity and its results at the level of national economy, as well as at the level of economic subsystems, in relation with the factors that are influencing those development. The author also insists upon the clear distinction between *economic growth, development and progress.*

This distinction is also treated by Gheorghe Popescu (2009), who sees the *economic growth* as the synthetic quantitative increase of macroeconomic indicators, the *economic development* as qualitative change in the national and international economy. The *economic progress* indicates the upward development which influences the standard of living, the progress representing exactly in the order specified, the upper phase of growth and development.

"*Economic development isn't the same with the economic growth*" (Goldin, 2017, pp. 4-21). In the volume "The Pursuit of Development: Economic Growth, Social Change and Ideas", the author is citing Paul Streeten, according to whom, the development has the task to offer "all human beings the opportunity for an accomplished life", and Dudley Seers who claims that development aims to create "the conditions for developing human personality".

Economic growth - shows Goldin – is a function of total factor production, insisting on the degree of use of labour force and on the capital. At the same time, capital accumulation, namely the increase in wealth, is a direct result of investment in the field of education and health, and of the way in which these resources are used. Is about changes in structural allocation of human resources, the share shifting from agriculture towards industry, and finally towards services.

According to Ian Goldin, usually, economic growth is given by the development of the gross domestic product (GDP), and GDP divided by the number of inhabitants shows the level of average development of a country. Referring to the purchasing power parity, namely comparing the GDP levels in two countries, considering the official exchange rates, reproduces the disparity between the costs paid by the consumers for similar product and services packages, also showing the difference between the absolute wealth and the relative one of those countries. Upon EU accession in 2007,

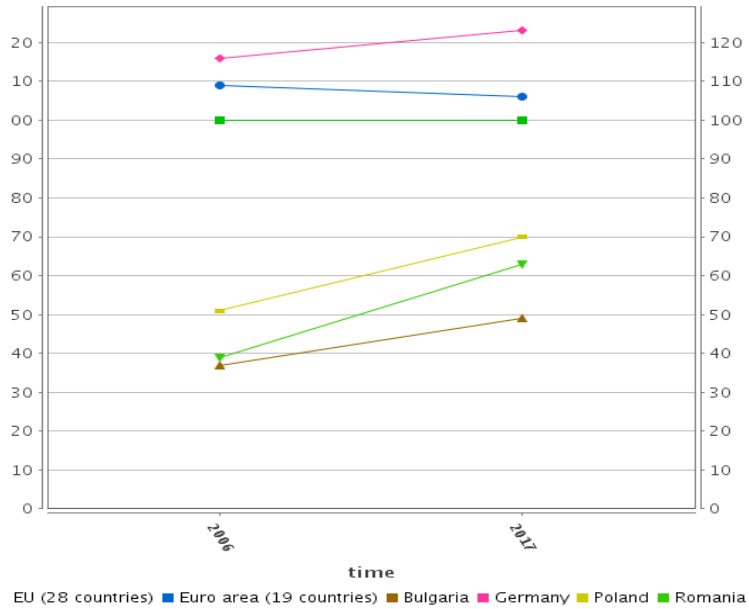

Diagram no. 2. GDP development and disparities in relation to the purchasing power parity in the Euro area, Romania, Bulgaria, Poland and Germany

Romania was having a GDP per capita in relation to the purchasing power parity[13] of 39% of the EU average, then increasing to 63% at the end of 2017. Bulgaria, which joined the EU at the same time as Romania,

[13] The volume index of GDP PIB per capita in the purchasing power standards (PPS) is expressed in relation to the European Union average (EU 28) established at 100. If the index of a certain country is greater than 100, the level of GDP per capita of this country is higher than the EU average and the other way around. The main figures are expressed in PPS, namely a common currency which eliminates the disparities between the price levels among countries, allowing us to have significant comparisons of the GDP volume among countries. https://ec.europa.eu/eurostat/tgm/web/table/description.jsp, accessed on the 03.09. 208.

started with a GDP per capita compared with the purchasing power parity of 37% of the EU average, in 2017 reaching the level of 49%. At the reference time 2006, the difference between the GDP of Bulgaria and that of Romania was of two percentage points in relation to the GDP average of the EU, between 2006 and 2017, the disparity increasing to 16 percentage points, Romania approaching at high speed of the average level of the EU with 25 states. Poland had at the time of Romanian and Bulgaria's accession to EU, after being 2 years in the territory of the European Union, 51% of the GDP average per capita of the EU, reaching in 2017, 70% of the same level. Germany, the driving force of the EU economy and implicitly of the European Union, having at the end of 2006 16% over the average GDP per capita of the EU, in 2017 exceeding this average by 23%. The Euro area had, at the end of 2006, an average of more than 9% over the GDP per capita based on the standards of the purchasing power of the EU, and then, in 2017, it will decrease to 4% of the average level of the European Union. The indicator analysed above is not relevant for development since it does not include life quality.

Country/year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU (28 countries)	3.3	3.1	0.5	-4.3	2.1	1.8	-0.4	0.3	1.7	2.3	1.9	2.4
Euro area (19 countries)	3.2	3.1	0.5	-4.5	2.1	1.6	-0.9	-0.2	1.3	2.1	1.8	2.4
Belgium	2.5	3.4	0.8	-2.3	2.7	1.8	0.2	0.2	1.3	1.4	1.4	1.7
Bulgaria	6.9	7.3	6	-3.6	1.3	1.9	0	0.9	1.3	3.6	3.9	3.6
Czech Republic	6.9	5.6	2.7	-4.8	2.3	1.8	-0.8	-0.5	2.7	5.3	2.5	4.3
Denmark	3.9	0.9	-0.5	-4.9	1.9	1.3	0.2	0.9	1.6	1.6	2	2.3
Germania	3.7	3.3	1.1	-5.6	4.1	3.7	0.5	0.5	2.2	1.7	2.2	2.2
Estonia	10.3	7.7	-5.4	-14.7	2.3	7.6	4.3	1.9	2.9	1.9	3.5	4.9
Ireland	5	5.3	-4.4	-5	1.9	3.7	0.2	1.3	8.8	25.1	5	7.2
Greece	5.7	3.3	-0.3	-4.3	-5.5	-9.1	-7.3	-3.2	0.7	-0.3	-0.2	1.4
Spain	4.2	3.8	1.1	-3.6	0	-1	-2.9	-1.7	1.4	3.4	3.3	3.1
France	2.4	2.4	0.3	-2.9	1.9	2.2	0.3	0.6	1	1.1	1.2	2.2
Croatia	4.9	5.3	2	-7.3	-1.5	-0.3	-2.3	-0.5	-0.1	2.4	3.5	2.9
Italy	2	1.5	-1.1	-5.5	1.7	0.6	-2.8	-1.7	0.1	1	0.9	1.5
Cyprus	4.5	4.8	3.9	-1.8	1.3	0.3	-3.1	-5.9	-1.4	2	3.4	3.9
Latvia	11.9	10	-3.5	-14.4	-3.9	6.4	4	2.4	1.9	3	2.2	4.5
Lithuania	7.4	11.1	2.6	-14.8	1.6	6	3.8	3.5	3.5	2	2.3	3.8
Luxembourg	5.2	8.4	-1.3	-4.4	4.9	2.5	-0.4	3.7	5.8	2.9	3.1	2.3
Hungary	3.9	0.4	0.9	-6.6	0.7	1.7	-1.6	2.1	4.2	3.4	2.2	4
Malta	1.8	4	3.3	-2.5	3.5	1.3	2.7	4.6	8.1	9.6	5.2	6.4
Holland	3.5	3.8	2.2	-3.7	1.3	1.6	-1	-0.1	1.4	2	2.2	2.9
Austria	3.5	3.7	1.5	-3.8	1.8	2.9	0.7	0	0.8	1.1	1.5	3
Poland	6.2	7	4.2	2.8	3.6	5	1.6	1.4	3.3	3.8	3	4.6
Portugal	1.6	2.5	0.2	-3	1.9	-1.8	-4	-1.1	0.9	1.8	1.6	2.7
Romania	8.1	6.9	8.3	-5.9	-2.8	2	1.2	3.5	3.4	3.9	4.8	6.9
Slovenia	5.7	6.9	3.3	-7.8	1.2	0.6	-2.7	-1.1	3	2.3	3.1	5
Slovakia	8.5	10.8	5.6	-5.4	5	2.8	1.7	1.5	2.8	3.9	3.3	3.4
Finland	4.1	5.2	0.7	-8.3	3	2.6	-1.4	-0.8	-0.6	0.1	2.5	2.8
Sweden	4.7	3.4	-0.6	-5.2	6	2.7	-0.3	1.2	2.6	4.5	3.2	2.3
Great Britain	2.5	2.5	-0.3	-4.2	1.7	1.6	1.4	2	2.9	2.3	1.8	1.7

Another perspective on *economic growth*, is that of innovative entrepreneurship, entrepreneurial economies being regarded as "a mixture between innovative entrepreneurs and large, well-established companies, (…) able to mass-produce the innovations brought to the market...". (Baumol s.a, 2007, pp. 13). Baumol calls Solow, according to whom innovation and the "intelligent growth" have taken priority over the "brute force", namely of a larger quantity of input factors, bringing added results, and, over time, "the specialists have confirmed this fundamental idea". The author is showing that the main sources of economic growth is the increase in labour, capital and the improvement of labour and capital productivity, these two strategies being known as "growth by brute force", namely "intelligent growth". Economies are seen as "growth mechanisms", whose fuel is represented by macroeconomic policies. We mention here the "prudent" fiscal and the monetary policies, promoted and applied in such a manner as to avoid the rise of inflation, the regress of economic activities,

harming the growth or, worse, a crisis. But, "the economic systems are complex and no formula, even followed closely, wouldn't be enough to ensure rapid, constant and long-term growth".

II. ECONOMIC CONVERGENCE AND CATCHING UP

The challenge of convergence envisages achieving the same living standards by economies starting from "different initial output levels" by (Dornbusch R. sa, 2004 p. 94). Therefore, according to the neoclassical theory, under "stationary state" conditions, economies having identical rates of savings and population growth with the same level of technological equipment would have the same income, therefore achieving *absolute convergence*. Unlike absolute convergence, the *conditional convergence* considers the economies having different rates of savings and population growth, with income of different stationary state, in which case, according to Sollow, the economic growth rates will become equal, sooner or later. This contradicts the endogenous growth theory developed by Romer-Lucas, which emphasizes the fact that an increase rate of saving will result in a high rate of economic growth.

For the developing countries, catching up is a reality, despite the fact that the inequalities between these countries will remain for a long time (Pikety, 2013, pp. 129-136). Considering everything that happened, the disparities would diminish, not by the investments made by the rich countries in the developing countries, but rather by the investments of the latter made inside their own borders.

Table no. 1. GDP evolution in the EU-member states, between the 2006 and 2017. Source: Eurostat

Evolution of the classification applicable to countries	
Developed	Developing
Advanced	Emergent
Matures	On the verge of development
Very developed	Least developed
With high level of income	With a reduced level of income
Rich	Poor
Developed	Underdeveloped
Industrialized	Non- industrialized
Of the first world	Of the third world
Central	Peripheral

Table no. 2: Classification of countries in the level of development. Source: (Goldin, 2017)

„What is playing in the XXIst century is a possible turning back to an historic system of slow growth" thinks the author, which ascertains that, except for some exceptional periods, this was a relative characteristics of growth over time, still being the premises that the slow trend will be kept also in the future, especially on the influence side of demographic component. In fact, the central thesis of "The Capital in the XXIst century" – "the book which will change the way in we perceive society and think about economics" as Paul Krugman, Nobel laureate for economics in 2008 said, is that "a space, apparently limited, between the capital yield and growth rate, can produce, on long term, strong and destabilizing effects on the structure and the dynamics of inequalities in a given society".

Regarding inequalities, economic growth does not necessarily have an impact on the level of living of each of the members of a society. When economic growth is based on unequal revenues and the distributions of assets is unfair, economic growth can have as consequence "an even higher level of wealth, making the rich even richer and living the poor behind" (Goldin, 2017, p.14).

Development stages or steps, as well as countries differentiation and categorisation have evolved together with the enrichment of economic thinking in the field of development.

III. THEORIES AND MODELS OF ECONOMIC GROWTH

Theories and models of economic growth can be (Popescu, 2009, pp.986-987): *aggregates* treating the relation of output and consumption at macroeconomic level and *disaggregates* analysing the ratio between output and consumption at the level of economic branches and economic units. Also, these are ideally suited, namely mental, theoretical and experimental constructions or *econometric* which are using stochastic relations and statistical data, offered by the specialised institutions. According to this source, economic theories and models are classified in *dirigistic* (macroeconomic); *neoclassical* (microeconomic or macroeconomic), *structural* (input-output) and *global* (at the world level). Depending on the "time" variable, theories and models are *static,*

analysing the indicators of growth at a given moment or for a limited time, and *dynamic*, which take into account the evolution over time, normally for a longer period of time.

The mercantilism claims that a nation's wealth is given by the accumulation of gold, as well as the trade surplus (Pettinger, 2017). The mercantilism was popular at the beginning of the industrial revolution, but this isn't a theory itself, showing that a country can improve its situation by gold accumulation and increasing exports.

Adam Smith's *classical theory* focused primarily on the increase in productivity, of both economy of scale and specialization. The classical model of the father of economy, developed in "The Wealth of Nations", identifies many factors of the economic growth, the market having a leading role, by confronting supply and demand, followed by labour productivity. Smith argues that the per capita income is determined by the "skill, dexterity, and judgment with which the labour is applied by each nation". (The Wealth of Nations, I.6).

The Marxist model

In the proposed model, a macroeconomic one, Marx started from the assumption that social product should ensure the replacement of social capital regularly used; redoing by individual consumption of the workforce; unproductive consumption of entrepreneurs and the unproductive sphere, but also the enlarged reproduction, by increasing the production factors (Popescu, 2009). In devising the model, Marx was considering that the capital organic composition, the capital coefficient, the rate of the capital gain, labour productivity, constant capital increase rates, variable capital, national capital gain and income remain unchanged.

The Keynesian model

Keynes argued on how the employment on short term can be attained. According to Keynes, the aggregated demand plays an active part in influencing the short-term and average-term demand. Although many of the theories regarding economic growth are ignoring the importance of aggregated demand, some economists think that "recessions can cause hysteresis, and long-term economic downturn". (Pettinger, 2017).

The Solow-Swan Neoclassical Model

The Solow model is remarkable in its simplicity (Acemoglu, 2007), the economic growth and development being addressed as dynamic processes, "focused on how and why the production, capital, consumption and population change over time"[14]. The neoclassical theory of economic growth suggests that the unlimited increase both in capital and labour force, leads to a decrease in profit. As a result, capital increase has only a temporary positive effect on economic growth. Therefore, as the capital grows, the economy stabilizes its growth rate around a steady value.

The model of exogenous growth

This model criticizes the neoclassical model which do not explain why countries have different levels of investment as a share of GDP. On the other hand, some developing countries fail to attract significant investment due to their structural problems, such as corruption and the lack of infrastructure. Also, the neoclassical theory does not explain the improvement of the rates of technological progress.

Harrod-Domar Model

Harrod and Domar consider that, in order to ensure long-term employment it is mandatory to comply with two conditions (Popescu, 2009, pp.996-997). For starters, it is necessary for the economy to invest sufficiently enough, on yearly basis, in order to have full employment, or investment made under a certain level will result in the decrease of demand and, then, of the occupation. Second, full employment is determined by the growth rate of national income which should cover both the increase in employment and labour productivity.

The model of endogenous growth

The neoclassical theory of economic growth puts an emphasis on the technical progress, but it doesn't show what this progress brings, from economic point of view. The concept developed by Paul Romer and Robert Lucas, *the endogenous economic growth* reflects the way in which "society's options lead to technical progress". (Dornbusch et al., 2004). The increase in gross domestic product (GDP) is influenced by the savings rate, population growth rate and the rate of technical progress, indicators which are influenced by the society's options.

Growth's unified theory

Developed by Oded Galor, the unified theory of economic growth which tries to combine different elements of economic growth. This is about economic standstill, specific to the largest part of the history of mankind; the industrial revolution and the beginning of the economic growth, explaining the divergence between the counties' rates of economic growth.

[14] https://www.theigc.org/wp-content/uploads/2016/06/acemoglu-2007.pdf, accessed on the 23.09.2018;

IV. WHAT ECONOMIC MODEL IS ROMANIA FOLLOWING?

Whereas of 2010 and until the end of the first semester of 2015, as a result of the implementation of reforms, Romania was on the road to a balanced growth model, as that of the Visegrád Group in the second half of the year, one with elections, the road being abandoned, switching towards the Balkan model, based on consumption, and which was taken in the period 2004-2008[15].

Valentin Lazea, chief economist of the National Bank of Romania (NBR), in his article called „*Economic models of development and influencing public perception",* finds based on the study „*Central, Eastern, and Southeastern Europe. How to Get Back on Fast Track"* of the al International Monetary Fund. This assessment compares the economic growth rates and it composition, in the first and the second semesters of 2015, registered within the central and Eastern European countries (CEE), namely Poland, Slovakia, Slovenia and Hungary, on the one side and the South East European countries (SEC), namely Bulgaria, Croatia and Romania, on the other hand.

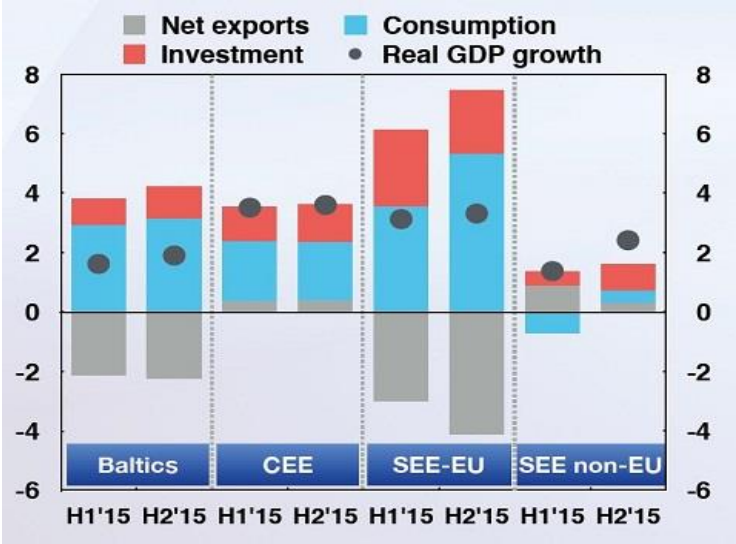

Diagram no. 1. Net exports, investment, consumption and GDP in Baltic countries, CEE, SEE-EU and SEE non-EU. Source: FMI[16]

If CEE and SEE-EU groups have relatively similar growth rates (black dots), in what the components of economic growth are concerned, things are different. Therefore, in the central and eastern European countries growth is evenly distributed among consumption, investment and net exports, in the south-east European countries, EU-members, the growth is unbalanced, in favour of the consumption and to the detriment of net exports. As a consequence, the same growth rate has, in the first case, a balanced mix of components, while, in the second case, this is clearly unbalanced, which "will require sooner or later a painful correction". Valentin Lazea considers that an excessive growth of consumption, without an appropriate replacement from the internal production, will result in an increase of imports, implicitly "a negative export which will be financed on credit". This correction will not occur, and the "mechanism will work" as long as the external debt of Romania will not exceed a critical level and, as long as the financial markets will remain stable, not being disturbed by the Situation of Greece, Brexit, the level of the Federal Reserve Bank interests and the evolution of China's economy.

„A country which opts for an unbalanced growth model, will be always more vulnerable than a country which opts for a balanced growth model".

[15] *Economic models of development and influencing public perception* http://cursdeguvernare.ro/valentin-lazea-modele-economice-de-dezvoltare-si-influentarea-perceptiei-publice.html .accessed on the 17.09.2018.

[16] https://www.imf.org/en/Publications/REO/EU/Issues/2017/01/07/Central-Eastern-and-Southeastern Europe. accessed on the 17.09.2018.

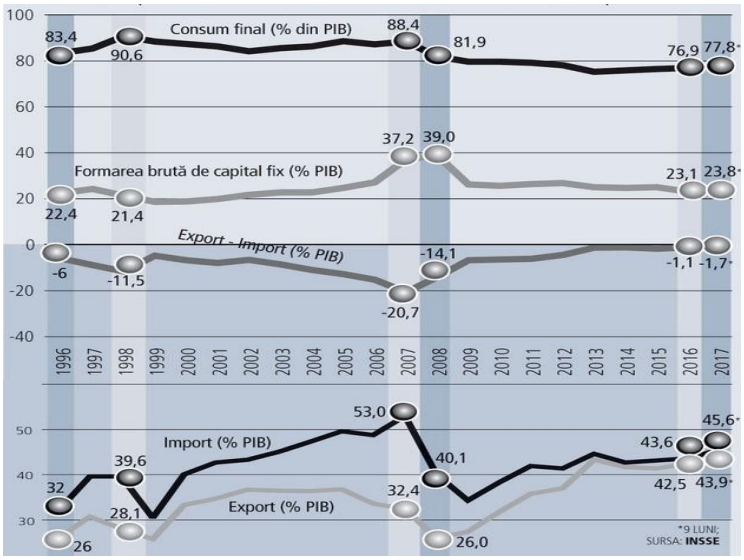

Diagram no. 2. GDP structure development as use. Source ZF[17], after INSSE

The issue of changing the model of economic growth has been raised in Romania after the onset of economic crisis, but there is "no mathematic model" to reveal in what this might consist of. Croitoru (2013, pp. 270-274) shows that "although nobody knows the content of this idea", this is one that "sounds well", since among the causes of the crisis that started in 2007, in Occident, namely in 2008 in Romania, is also the "old growth model".

The economist Lucian Croitoru, monetary policy counsellor of the Governors of the National Bank of Romania, still identifies some aspects relating to the positive purpose of change, starting with the criticism of the excessive credit financed consumption,, and continuing with the promotion of growth based on investment, stabilization of growth at a sustainable pace and the orientation of direct foreign investment (DFI) towards the branches which are "beneficial to economy".

In his article „*About changing the growth model and empty shell"* the author says: „the idea that the growth model should be changed from consumption to investment won't work". In his opinion, the consumption is what will draw investors since "the more we consume a product, the more new products arise", and the more we will invest in order to create new physical capital infrastructures in which they should be produced".

Investment reach, in the best case scenario, to 30% of GDP, increasing faster than consumption only within a short period of time. This is about the periods during which people invest in science and the results of research are being implemented, but only because it is expected that the products in which the investment was made to be consumed.

Besides capital and professional workforce, the production also depends on the technical progress. Usually, research is conducted in laboratories, but Romania has a reduced capacity to produce innovation compared to the countries which heavily invest in the sector of research, development and innovation. But, this doesn't seem to create an impediment, since technologies and equipment can be imported or are the subject of direct foreign investment, based on the incentives granted. This type of establishments will produce for the internal market, but also for the external market, but if the growth based on consumption will be marginalised, the exporters will only reduce their deliveries. As a consequence, the exports are not the ones to support growth, but consumption is. Under these circumstances, an ideal desirable formula would be to cover the necessary of consumption by employment from its own country, some of the production going to the consumers from other countries.

On the other hand, to maintain an appropriate rate of growth, the voices who are proposing the change of the growth model, "are implicitly making the assumption that such a rate already exists and that it can be achieved through policies". Lucian Croitoru argues that the euphoria and panic are the two forces of human origin, determining the financial cycle and the business cycle. During the crisis, consumption drops, but once the confidence is restored, and due to the incapacity to predict future developments, consumption euphoria will take economic growth towards higher levels. Accordingly, the reappearance of crisis will bring about pessimism, panic, reduction of consumption, of production and, implicitly, of economic growth.

[17] https://www.zf.ro/eveniment/si-pana-la-urma-pe-ce-se-bazeaza-aceasta-crestere-economica-domnule-de-unde-vine-16927295, accessed on the 17.09.2017;

	Gross domestic product				Actual individual consumption			
	2014	2015	2016	2017	2014	2015	2016	2017
Luxembourg	270	267	257	253	138	135	132	130
Ireland	137	181	183	184	94	96	96	94
Netherlands	130	129	128	128	113	113	111	110
Austria	130	130	127	128	122	121	119	118
Denmark	128	127	124	125	116	116	113	112
Germany	126	124	124	123	124	123	122	122
Sweden	124	125	123	122	113	112	110	109
Belgium	119	118	118	117	115	114	113	112
Finland	111	109	109	109	114	115	114	113
EA-19	107	106	106	106	105	105	105	105
United Kingdom	109	108	108	105	115	115	116	114
France	107	105	104	104	111	110	109	109
Italy	96	95	97	96	98	97	98	98
Malta	88	93	94	96	78	79	78	78
Spain	90	91	92	92	87	89	89	90
Czech Republic	86	87	88	89	78	78	78	80
Slovenia	82	82	83	85	76	76	76	77
Cyprus	81	82	83	84	91	92	92	92
Lithuania	75	75	75	78	81	83	85	88
Estonia	76	75	75	77	69	71	72	72
Portugal	77	77	77	77	81	82	82	83
Slovakia	77	77	77	77	76	76	76	76
Poland	67	68	68	70	74	74	74	76
Hungary	68	68	67	68	63	63	63	63
Greece	72	69	68	67	80	79	77	77
Latvia	63	64	65	67	65	65	67	70
Romania	55	56	58	63	56	59	62	68
Croatia	59	59	60	61	59	59	59	61
Bulgaria	47	47	49	49	51	53	53	55

Table no. 3. Per capita GDP and the share of consumption in GDP in EU. Source: Eurostat

In his article „*How Romanian is our growth model"*, the economist Daniel Dăianu, member of the NBR Borad of Directors, makes an assessment of the allegation according to which "the Romanian growth model isn't working for the benefit of citizens", while the European Commission would not encourage it, as the EC representative in Bucharest says. Dăianu (2016, pp.267-268) proposes his own "interpretation key", debunking the existence of "some rules in the EU with major implications" on the member states found in the same situation as Romania.

Therefore, would be against these states the competitive rules of the Unique Market which oblige to openness and tend to favour large companies, under "asymmetries of information and power", the unfair access to financing and the support granted by the countries with economic force for the companies seeking to gain the external markets.

The author believes that, in addition to mandatory opening of the capital account, with the European Union accession, Romania encounters problems related to the speculative capital inflow, accompanied, during the period from 2004 to 2009, by "boom-and-bust" economic developments.

In the same context, direct foreign investments in Romania were attracted by reduced labour costs, namely small salaries, although manpower was highly qualified, especially the one in the field of IT. This is why a larger portion of the national income has been the subject of capital reward, compared to the one destined to payment of labour. For those who are the prisoners of such a retribution system, the author emphasized the fact the gap between them and the more developed countries will not be reduced with labour force, but thorough policies to grow competitiveness. Otherwise, there is the alternative of "freezing" to a lower level of development.

Second, using his own decryption key, Daniel Dăianu investigates and disclosed "subjects almost undiscussed in Brussels, in the approach of the Commission experts, the international organisms". This category includes abuses of market dominance and bad practices in the fields of public utilities, pharmaceutical industry and banking system; the need for funding through the intermediary of a national development bank; tax evasion; tax avoidance through transfer pricing for the purpose of profit outsourcing; unfair competition; but also the negative environmental externalities. Last but not least, taking advantage of the irrelevance of public governance and the structural problems of economy, and on a background of less room for manoeuvre, the negotiating partners of Romania imposed their own subjects. And the conclusion cannot be favourable for the autonomy of the Romanian growth model. *„The above suggested key casts the affirmation that our growth model would have internal origin in a different light, there are rules of the Union, of the markets which bring pluses and minuses and there are practices of big companies which are amiss"*.

As far as how the Romanian growth model "works for the benefit of citizens", the economist Daniel Dăianu emphasises that, given the crisis of the European Union and the Euro area, Romania succeeded to reduce its budgetary deficit from 8% of GDP in 2009, to 1,4 of GDP in 2015. Also, the current account deficit of 12% of GDP during 2007-2008 fell to less than 1% of GDP in the same year, 2015. Furthermore, in order to point out the state of the Romanian economy, the economist emphasizes the living conditions in the rural areas, considered under the level of the uropean normal, but also the inequalities in the distribution of income, which is among the most unbalanced in the EU. The income per capita in purchasing power parity had reach 55% in 2015, but with big differences between the social and occupational categories, between the urban and rural areas, as well as between labour and capital reward. To all that it must added the public infrastructure weaknesses, although Romania allocated for capital goods 4% of GDP, more than other countries, but with disappointing results. The same, education is underfunded, having less than 4% of GDP, one of the lowest levels among the member states, and tax receipts were of 27-28% of GDP, in 2015, compared to 40% of the EU average.

The economist Daniel Dăianu amends the Romanian model „revealed" by the financial crisis, proposing one based on internal saving; the stimulation of resources for exportable products and services, the increase in tax receipts, in those to support the education and health systems; development of indigenous capital; creation of industrial poles at the crossroads between academic research and business environment, as well as on a "more aggressive diplomacy".

According to NBR officials BNR[18], the Romanian households' consumption will remain the main determinant of economic growth in the year 2019, but also a component which suffered a significant decrease during 2018. In the minutes of monetary policy, the members of the NBR Administration Council expressed, in august 2018, their concerns regarding the probable development of gross fixed capital formation, whose contribution to the dynamics of economic actives was expected to be, in 2018, noticeably more modest than the consumption and, in deep decline as compared to the previous year, with implications on internal and external balance of the economy. At the same time, it was noted *„the noticeably improved perspective of net export, under the conditions of probable more pronounced moderation of import dynamics, which was likely to slow down the growth rate in GDP of the current account deficit"*.

On the other hand, according to the summer projections of the European Commission[19], after reaching a growth peak of the real GDP of 6.9% in 2017, the economic boom in Romania started to back down. Therefore, in the first quarter of 2018, GDP increased by 4%. The main cause for economic downturn was represented by the consumption contraction, inflation having an important influence on the real income. In exchange, the increase in exports has remained resilient, during the first quarter of 2018 being above the import increase. Therefore, it was expected to have an increase in real GDP by 4.1% in 2018 and 3.8 in 2019. Taken separately, it is noted a balancing trend of private consumption, but also an increase and consolidation of investments, due to the implementation of EU non-refundable projects.

V. CONCLUSIONS

After an unpleasant experience of the economic boom with an increased level of consumption between the years 2004 and 2008, followed by recession and subsequently by a period of balanced growth, starting with 2015, due to the electoral reasons of the moment, Romania returned to the economic growth modes based on consumption. Far from praising this last model, we think that the panacea of investment-based growth would be just a myth. Consumption itself is the one who "causes" production, attracting and co-interesting the investors. As more and more products are being demanded on the market, more and more investors will come and they, in order to satisfy the demand, will create physical capital infrastructure, will employ labour force, and being well paid, the later will consume more. Investors' income will grow, and the surplus after the capital remuneration will be invested, supporting the future growth. On the other hand, under the conditions of general "marginalization" of consumption, the goods produced and the services rendered will not have the same level of demand not even for export, therefore fighting against the theory according to which export would be the basis for economic growth. Certainly, an economic growth to the detriment of export, with negative values and excessive consumption based on credit, is undesirable. This growth model will work as long as the world economic conjuncture will be favourable, the financial markets will show stability, and the external debts will not exceed a certain critical level. All these, not-complied with and cumulated, will trigger painful corrections, with a negative impact both on the economic and social fields. As for "choosing" one or another model of economic growth, we also think that there is no "mathematical formula" to determine it, the said model being influenced by the constraints the global economic environment is facing. In the case of European Romania, the growth model is not entirely of internal origin, being channelled by the EU and Euro area regulations. Since it started from a different position than the

[18] http://www.bnr.ro/Minuta-sedintei-de-politica-monetara-a-Consiliului-de-administratie-al-Bancii-Na%C8%9Bionale-a-Romaniei-din-6-august-2018-18232.aspx, accessed on the 18.09.2018

[19] https://ec.europa.eu/info/sites/info/files/economyfinance/ecfin_forecast_summer_12_07_18_ro_en.pdf

other member states, and obviously a disadvantageous one, Romania found itself facing the competition rules of the Unique Market, which insists on openness and favours large companies; of "informational and power" asymmetries and the limited and unfair access to funding. We also concur with the specialists' opinions, according to which, it is advisable for Romania to adopt a model of economic growth based on domestic savings, steep increase of investments in infrastructure, strengthening of domestically-owned capital and the sustainable growth of exports.

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