

IMPLICATIONS OF ECONOMIC GROWTH THEORIES ON QUALITY LIFE FROM ROMANIAN RURAL AREA

Authors

TOFAN Alexandru, PhD. Professor, MIHAI Costica, PhD. Assistant Professor
TALMACIU Mihai, PhD. Assistant Professor, BORZA Mioara, PhD. Lecturer
"Alexandru Ioan Cuza" University of Iasi, Romania
Faculty of Economics and Business Administration

Introduction

The Romanian rural area is subject of significant socio-economic challenges, determined by the transition to the market economy, that still keeps unaltered the quality of natural resources.

After 1990, the Romanian rural economy experienced decreases in almost all macroeconomic indicators, and this fact has a positive influence on environmental factors and respectively negative influences on life quality.

The village isn't perceived as an isolated place, but directly related to world changes and it is considered the place where people like to live.

The rural population of Romania is attached especially to the parents' house and less to the means of production; the family ideal is related to traditional values.

A proof of these is some reluctance to implement the European standards, which could affect the conservation of specific traditions of the Romanian village.

Goal

The goal of this paper is to establish if the adoption of a zero economic growth model (N. Georgescu-Roegen, W.S. Jevons), could lead to improvement of disparities in comparison with the developed countries.

We will also analyze how difficult the adoption of such model in Romanian rural area is, taking into account the evolution of our rural economy. The implementation of the benefits and costs of this model will be analyzed, with an aim to the sustainable development of the rural economy.

ECONOMIC GROWTH VS. ECONOMIC DEGWORTH

Classical Growth Models

- land and labour: major factors of economic growth (A. Smith, T. R. Malthus)
- include the capital as main factor of economic growth (D. Ricardo, K. Marx)
- lay the foundations of "the theory of competitive advantage" -> the role of the free market on economic growth (D. Ricardo)

Neo- Classical Growth Models

- enhance the role of entrepreneurship in the development of nations/regions;
- the role of entrepreneurship on the technological progress -> the theory of "creative destruction": creation of new products and new business models responsible with the industrial dynamism and long-term economic growth (I. Schumpeter);
- The relation among working time, capital stock, output and investments (Solow-Swan Growth Model) -> technological progress is more important than the capital accumulation;

Post-Keynesian Growth Models

- enhance the role of demand in the development process -> economic growth enhances the divergence;
- the demand factors: the demand outside the region, specialization and scale economies;

The model based on the role of export sector. Theory of comparative advantage (Armstrong and Taylor 2000, Richardson, 1973) - the initial impulse for the regional economic growth is given by the exploitation and export of their natural resources

The model of cumulative causation (Kaldor, Dixon and Thirlwall); the increase of output per capita is given by the extent to which the regions are able to exploit scale economies and to collect the benefits that come out of a higher specialization

The cumulative causation and the theory of growth poles: promote the idea of a driving, propulsion unit, able to induce powerful effects on the units that are located in the upstream or downstream, as well as on geographical regions situated under their influence (Perroux, 1964, 1969; Boudeville, 1961)

The center-outskirt model (Eisenman 1966-1972); the focus is on the autonomy - dependence relation -> the dominant and dependent model of regional development

New Growth Theory

- **Endogenous Growth Theory** (Paul Romer, Rogert E. Lucas, Robert J. Barro); the model incorporates the human capital concept -> this is capable of higher return rates, unlike the physical capital.

The economies will not experience a steady state, the growth rates won't decrease if the human capital is invested on (education, training), the competences and the knowledge making the workforce more productive;

John Stuart Mill - anticipated the passage from the economic growth to the "stationary state" - the increase of wealth is not boundless - stationary condition of capital and population implies no stationary state of human improvement - improving the art of living - minds ceased to be engrossed by the art of getting on

John Mainard Keynes - the day when mankind will focus more on goals (happiness, well-being) than on the means (economic growth, preoccupation to increase the personal profit) -> economic issues will play a lesser role while the main place in our minds will be occupied by real problems (life and human realities, creation, behavior, religion);

Keynes - proposition for economic stability and limitation of increase by a "sustainable design" for capitalism

The Rome Club (the 1972 report - "The boundaries of growth") - computer-assisted models and scenarios were developed regarding the continuity of economic growth and the impact on environment -> the "zero growth" model is at the basis of the sustainable design

- concentration of economy, production and consumption -> over-consumption generates imbalances of natural environment and social inequalities

-Predecessors of the movement **John Ruskin** (1819-1900), **Henry David Thoreau** (1817 - 1862), **Lev Tolstoy** (1828 - 1911)

- **Nicholas Georgescu Roegen** - The Law of entropy and the economic processes (1971) - main creator and theoretician of degrowth -> the economy transforms the natural resources in goods, services, human welfare, wastes -> entropy increase in economy profoundly limits the reached and maintained growth rhythms

- **E. F. Schumacher** - "Small is beautiful" - alternative model to the neo-classical paradigm of growth based on the sufficiency of consumption, population involvement in fulfilling work, community life marked by peace, cooperative endeavors

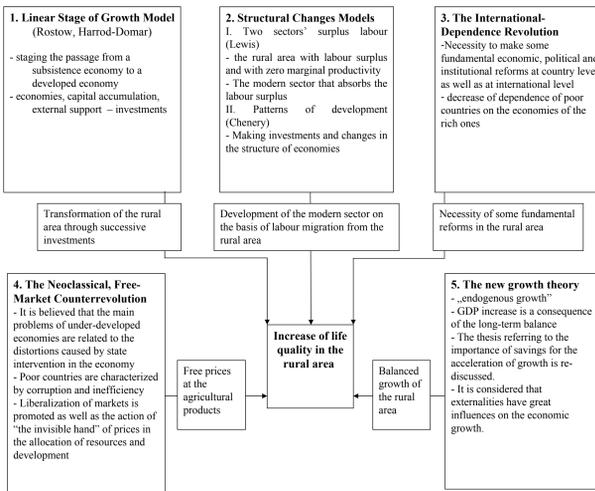
- **Kenneth Boulding**: highlights the material and energetic constraints on economy, militates for the passage from the economy based on quantity and fastness of production and consumption to the economy based on maintaining the stocks and on technological changes.

Steady State Theory

De-Growth Theory

Growth success theories after the World War II and life quality in the rural area

"Development must be redefined as an attack on the chief evils of the world today: malnutrition, disease, illiteracy, slums, unemployment and inequity. Measured in terms of aggregate growth rates, development has been a great success. But measured in terms of jobs, justice and the elimination of poverty, it has been a failure or only a partial success." Paul P. Streeten, Director of World Development Institute.

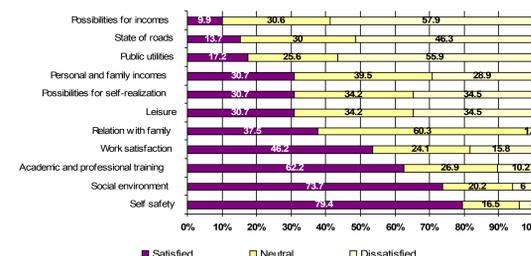


Romanian rural area - indicators of life quality

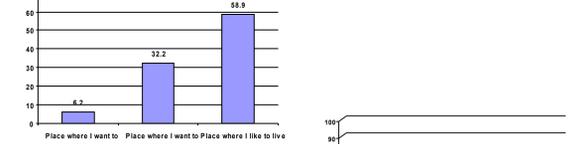
Indicators of life quality	U.M.	2003	2007
POPULATION			
Total population	persons	21.733.556	21.537.563
Weight of rural population of the total population	%	46,6	44,9
Average life length	ani	70,08	71,64
Internal migration in the rural area	persons	164.352	198.490
Persons with academic qualifications in rural area	%	1,7	2,6
Persons with medium qualifications	%	39,6	49,6
Persons with a low level of training	%	58,7	47,8
LABOUR			
Persons occupied in agriculture	%	34,7	28,2
Employment rate	%	4,3	4,9
Active population	thous. of pers.	4.891	4.500
Activity rate	%	66	65,1
Occupancy rate	%	62,9	61,5
Total expenses of farmers' households	lei	945,51	1.228,89
Agriculture contribution to the GDP			
TECHNICAL AND ADMINISTRATIVE INFRASTRUCTURE			
Number of dwellings in the rural area	inhabitants	3.757.855	3.743.296
Running water distribution networks	Km.	18.428	24.868
Sewage networks	no.	3.647	5.881
Heating devices with thermal independent boilers	no.	2.215	5.568
Heating devices with liquid petrol stoves	no.	11.571	14.600
TELECOMMUNICATIONS INFRASTRUCTURE			
Post offices and telephone-telegraph units	no.	6.488	6.120

The young population represents the future of a nation, reason for which a brief analysis of the quality life of the young from the Romanian rural area is presented.

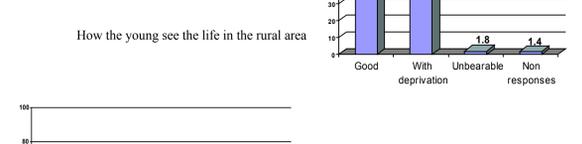
Degree of satisfaction/dissatisfaction regarding what the rural area has to offer to its youth



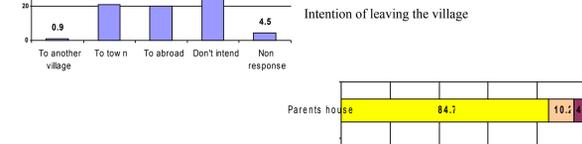
What the village represents for the young Romanians living in the rural areas



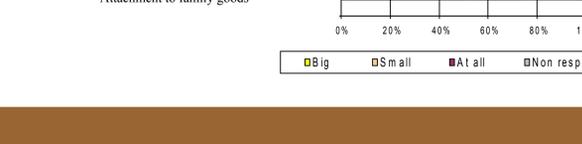
How the young see the life in the rural area



Intention of leaving the village



Attachment to family goods



NEGATIVE EFFECTS OF ECONOMIC GROWTH

- * Decrease in life quality -> negative externalities = pollution, unemployment, urban congestion, daily stress, increase in criminal activity;
- * Disturbance of long-term environmental balances;
- * Inequity between generations;
- * Mutations in the basic principles of peoples' cultures, cultural non-sustainability - cultural transfer, abandonment of traditions, non-conservation of cultural and historical heritage;
- * The consumerist movement - encouragement of false, artificial needs
- * The ecological footprint of economic growth - non-sustainable exploitation of land's resources, rapid waste of non-regenerative resources (Thomas Malthus)
- * Enhancement of economic disparities between rich and poor countries
- * Enhancement of disparities between rich and poor classes of the world
- * Decline of the social justice - increase in life standards without redistribution
- * Increase of greenhouse gases and the effect of global warming
- * Suffocation of environment through uncontrolled generation of wastes and toxic pollution

OBSTACLES AND NEGATIVE EFFECTS OF DEGWORTH

- * Risk of disparities accentuation between rich and poor countries
- * Inequity - the de-growth issue cannot be imposed on underdeveloped or developing countries and regions
- * Risk of reducing the welfare, the life quality
- * Inequity between generations;
- * Human nature - characterized by egoism, greediness, cupidity - non-acceptance of losing the satisfaction, the welfare, the comfort

KEY PROBLEMS FACED BY THE INHABITANTS OF THE ROMANIAN RURAL AREA

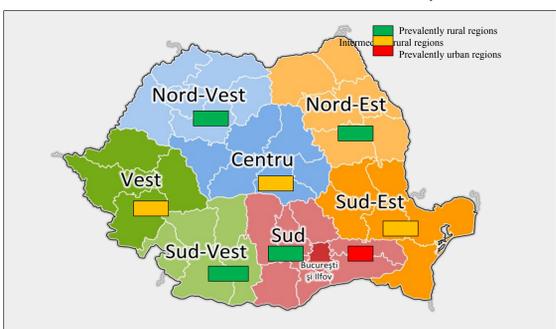
- the big number of subsistence and semi-subsistence farms which are not viable from an economic perspective;
- the lack of financial resources, namely the insufficient and inefficient use of available resources;
- the lack of trained personnel for the practicing of a modern agriculture;
- the poor state of the basic infrastructure;
- the existence of significant land surfaces (approx. 1/5) deeply affected by natural risk factors;
- the inadequate state of culture institutions from the rural area;
- decrease in the number of libraries and of readers;
- a reduced number of development projects of local infrastructure;
- scarce intention of involvement in small and medium enterprises;
- reduced intention to change the status of individual household into that of family farm;
- the economic growth from the agro-alimentary sector has not been fulfilled, the rural economy facing a major and continuous decrease in the last 20 years;
- the human capital has known a continuous degradation from the point of view of professional training and of education, as well as of demographic ageing;

POSITIVE ELEMENTS OF LIFE QUALITY FROM THE ROMANIAN RURAL AREA

- extension of duct networks for water provision;
- electric power used in almost all villages;
- settlement of rural population in its origin areas;
- existence of some powerful cultural traditions;
- the tradition that the teacher and the priest of villages should be main promoters of cultural values;
- existence of information sources: cable television, Internet, newspapers, etc.;
- reduced industrialization and extensive agriculture have led to the reduction of the pollution level which allowed the preservation of natural factors;
- favorable state of conservation of the natural phenomenon (biodiversity, landscapes, ecosystems).

Conceptual framework

1. The rural area: "area characterized by a relatively scarce population and density and by the prevalence of agricultural activity" - Lemoine F., Pierre George, Ioanid, I. Bold.
2. The rural area: "an interior area, including the villages and small towns, where most of the lands are used for: agriculture, silviculture, aquaculture and fishing; economic and cultural activities of the inhabitants of these areas..." - Recommendation 1296/1996 of the EU Parliament Assembly.



Development indicators for Romania in comparison with EU 27

Current no.	Development indicators	Measurement unit	EU-27	Romania
1	Usable agricultural surface (2007)	Ha.	172.485.050	13.753.050
2	Agricultural farms (2007)	No.	13.700.400	3.931.350
3	Average size of an exploitation (2007)	ha	12,6	3,5
4	Average economic size (2007)	ESU	1	11,3
5	Weight of exploitations on size categories (2007)	< 5ha. - 5-10ha. - > 10ha.	70,4 - 24,5 - 5,1	89,8 - 9,8 - 0,4
6	Semi-subsistence farms (2007)	< 1ESU	6.389.390	3.064.670
7	Population occupied in the primary sector (2006)	thousands of pers.	12.985	2850
8	Weight of population occupied in the primary sector (2006)	%	6,0	30,6
9	Farmers who have another income source (2007)	%	35,3	36,3
10	Labour productivity in agriculture (2007)	Euro/AWU	12.089	2.659,58
11	Training and education in agriculture (2005)	% farmers	20	7,4
12	VAB in the primary sector (2006)	Millions of Euro	179.427,9	7.614,1
13	Weight of primary sector in VAB (2006)	%	1,7	8,8
14	Raw formation of fixed capital in agriculture (2007)	Millions of Euro	56.185	1.015
15	Internet infrastructure (2008)	% DSL coverage	na	34
16	Internet connectivity (2008)	% population	3,1	18

Conclusion

1. The restructuring of the Romanian economy after 1990 caused profound implications on the rural area and the life quality:
 - the extension and reduction of the work productivity in the basic economic activity;
 - limiting of the rural economy and its poor diversification;
 - the more reduced impact of economic activity on environment;
 - decrease, instability and insecurity of the incomes;
 - positive internal migration balance;
 - accentuation of population ageing tendency in the peripheral rural areas;
 - poor endowment of localities with public utilities services etc.
2. The compression of the rural economy generated the enhancement of discrepancies that separate the Romanian rural regions from those belonging to the EU developed countries, both regarding the competitiveness of economic sectors and the quality of life.
3. Even if the young of the rural area are deeply attached to their birth place and to the Romanian village traditions, the poor life conditions, the limited possibilities of occupancy in other sectors than agriculture, and especially the poor quality of jobs, represent factors that determine them to migrate to urban localities or abroad.
4. In Romania's case, in order to enhance the life attractiveness in rural areas and to reduce the disparities from the developed countries, the problem of adopting some de-growth models cannot be taken into account. The economic policy should be oriented towards economic growth models that could comprise both sustainable principles and economic growth based on the capital flow, stimulation of technological progress, stimulation of innovation progress, promotion of human resource development.
5. The development model applied in the Romanian economy should harmoniously merge positive experiences and prevent negative effects of models, stability and economic decrease theories, promoted by the economists of the developed countries.

Acknowledgements

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