

The Romanian Social Model



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I. Argument

RECOGNISING THE specific features of post-communist societies within the debate concerning the European Social Model is an objective necessity. There is a social sub-model of Europe in transition, in which neither the neo-liberal solutions nor the social state built in the West are applicable. *A specific 'triangle' between the need for social progress, accelerated modernisation and state reform represents the progressive recipe applicable to Central and Eastern Europe.*

Romania is the country that started with a specific handicap compared to the rest of communist Europe. Romanian transition has been also marked by tensions and social fractures. Sixteen years after the fall of communism and after encountering the European Union, Romania is today a polarised country, with a high level of poverty, with an acute need for massive public investments in all fields, lacking sufficient quality public goods. A country that would need, under current public policies, 30 years of 5 per cent annual economic growth in order to eliminate the gap separating us from the European average. A country where intellectual and

economic elites are fragile or unconvincing, in which social capital and community and civic spirit have been seriously impaired.

The Romanian social model represents more than an ideological, political and governmental action platform. It is a stringent necessity for a society that has not yet developed fundamental features of post-communist capitalism. It can only be offered by a modern and progressive European left of Romanian social democrats represented by the Social Democratic Party (PSD).

II. The European Social Model

The main critique of the European social model concerns the low levels of economic growth, slow changes, and the great distance from the application of re-launching measures until competitiveness advances.

Population ageing, the conservative management of pension funds (risk aversion regarding the transfer of public funds into private pension funds), competition from countries with lower wages, but with valuable human capital, 'the transfer of jobs' to other countries which are more friendly from a fiscal point of view, the growing heterogeneity of social policies from EU mem-

ber states, and growing unemployment are many threats that have brought into the open the need for reform of the European Social Model.

The main coordinates of the reform of the European Social Model are:

- Redefining the social contract (from *welfare* to *workfare*: flexible labour markets; social responsibility of firms; more powerful incentives for accepting new jobs; assistance in finding a new job; creating new jobs, mainly in the service sector; social insurances according to personal contributions);
- Investments in human capital;
- Strengthening economic and social cohesion, promoting permanent education;
- The need for a more consistent dialogue between social practices of different European models (continental, Anglo-Saxon, Mediterranean and Nordic).

The continental and Anglo-Saxon social models function on the basis of an imbalance between wage distribution equity and labour force employment efficiency. The continental model is imbalanced in the sense of a lower efficiency, the Anglo-Saxon model in favour of lower equity.

The Mediterranean and Nordic models are based on balance between efficiency and equity. In the Mediterranean case however, both efficiency and equity are reduced, and thus the system is not sustainable. The Nordic model seems to ensure a high level of equity in conditions of increased efficiency.

III. The East European Specific
Eastern Europe needs a social model that would provide a new type of sustainable balance between social protection and economic competitiveness.

In Eastern Europe poverty is discussed in other terms than in the West. And the chances and the rhythm of equalisation are different. Therefore, the variables that we must introduce before proceeding to the elaboration of the Romanian social model are more numerous than in other parts of the world.

The target of Romanian social democracy is to tame capitalism in order that the markets' dynamics do not slip towards excessively privileging some social categories in comparison with others.

But, more than in the rest of the world, Romanian and Eastern Block social democracy, in general, must be more vigilant and active in tempering the post-communist capitalism generating lasting social exclusion.

If we want to direct transition towards Western style mass prosperity, we need a social model that will equally take into account the need for strengthening the state and democratic and economic liberties, of creating the incentives of welfare and redistribution of incomes in favour of the poor.

Eastern Europe and especially Romania has its own development premises, starting from social realities differing from those of the rest of Europe. The communist experience and the experience of a more difficult transition than that of other Eastern countries make Romania a decisive actor in outlining a synthesis defining a

post-communist social model closer to the needs of the people.

For 50 years, the communist state, a paternalistic structure, has perpetrated massive social spending. For that reason, the expectations of the population for the state to intervene are very high. But we must not ignore the macroeconomic realities.

A large inactive population leads to unbearable budgetary pressures. And the social state is forced into bankruptcy as, although the fall of the authoritarian regime has led to a progressive retreat of the state from the economy, it did not lead to its retreat from traditional social protection.

Post-communist capitalism has led to an uneven society with dim perspectives of improved living conditions for the larger part of the population. In Eastern Europe, and especially in Romania, there are major discrepancies concerning income and living standards between urban and the rural areas, and social polarisation, emphasized by disastrous ultra-liberal measures – the flat tax – produces dangerous imbalances for social stability and for people's trust in democracy and the market economy.

Post-communist economies have been excessively exposed to global competition, without having the necessary time to develop internationally competitive companies. The foreign controlled companies have become the backbone of the industrial structure, while the local companies (SMEs) concentrate on the pockets that are not interesting for foreign capital. But attracting foreign invest-

ment grants an insufficient number of decently paid jobs for everybody.

Local companies (small, medium and large companies alike) play an important role, in their turn, by hiring labour. This includes the traditional industries, which are less capital intensive. The main challenge for any social democratic strategy of fighting social exclusion is to create jobs – or income substitutes – for the rest of the labour force.

Another problem of the East regards the excessively large percentage of labour force employed in the primary sector. A comparative advantage of Romania is the fact that the urban labour force is educated and disciplined, but not at the level of the young generation.

The new capitalist class is not yet oriented towards ‘production’, but towards getting privileges by manipulating politics. For that reason, domestic capitalists are not yet a resource of social progress and balanced development of society.

The use of state power for the benefit of new classes in search of privileges goes together with the retreat of the state from the function of poverty-reducing agent. The state must renounce its alliance with the new capitalists. Instead of the state protecting economic interest groups, we need an active social state.

IV. Elements for a Romanian Social Model

The Romanian Social Model must not be seen in terms of a mechanic comparison with the European Social Model. Beyond the Romanian particular features, the difference is given by

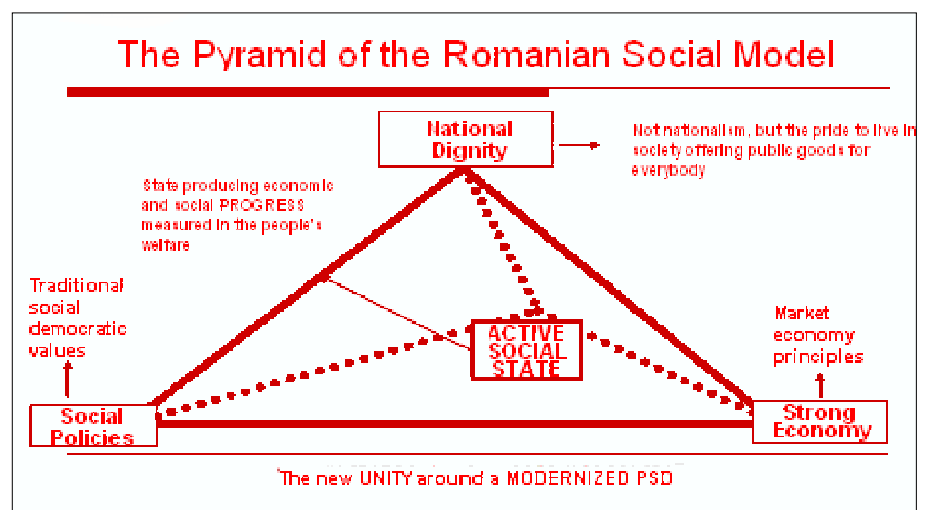
our ambition to build a simplified theoretical background, expressed in a triangle of classical concepts of the left, contained at the end in a pyramidal formula (see Figure 1). *The three fundamental dimensions of the Romanian Social Model – strong economy, social policies and the active social state – are completed by a fourth – national dignity – which brings a specific feature for Romania.*

The Romanian Social Model has as its target the fight against the three fundamental evils of society: poverty, ignorance and disbelief. These phenomena do not disappear by themselves and are not cancelled out by the *invisible hand* sanctified by neo-liberals.

have to take with the help of this compass, in order to reach our destination, would be the assembly of substantial political decisions I call the ‘New Social Contract’.

Originally, the social contract is an exchange relation, a transaction through which citizens contribute, each according to his possibilities, to the establishment of a public fortune. In exchange for this contribution, the state pledges to offer its citizens public services or access to public goods.

Figure 1: The Pyramid of the Romanian Social Model



IV. a. A New Social Contract

If we imagined a social map of a future Romania, with citizens living in welfare, with a society offering quality public goods accessible to all citizens, with a class of political leaders understanding their purpose, firstly through their capacity of producing public policies and, only then, through their talent for intrigues and discourse, then the Romanian Social Model would be the compass guiding our steps. And the good path we

When services provided by the state are insufficient and qualitatively poor, the social contract must be redrawn, both by re-establishing the citizens’ obligations and by strengthening the duty of the state. A change in this kind of transaction between citizens and state can only be achieved within a ‘New Social Contract’.

The ‘New Social Contract’ represents the balance between the citizens’ right to welfare,

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and their responsibility to get involved in the decisions of public interest and to take their fate into their hands. Romania needs such a contract because the old one does not function, is not respected by any of the participants.

Today, with its present state formula, Romania cannot walk the difficult road from poverty to welfare. The Romanian state as we know it, and as it was built in the 20th century, will not be up to the new challenges. It cannot ensure the security, the welfare or the dignity of Romanians.

Fewer people contribute to the state fortune, politics tries to favour its supporting groups (for example the flat tax), and the state accomplishes its tasks with growing difficulty, as it has no more money and resources to mobilise. Building the new state pillars that would ensure Romania's development in the decade 2007-2017 is the political mission of the modernised PSD.

The 'New Social Contract' can be put into practice through a reform of the state and of its institutions that would increase competitive conditions of the economy so that more consistent funds could be employed for social policies.

(1) Giving up lower incomes and pensions as a comparative advantage

If Western European countries wish to have lucrative outlets in Eastern Europe they need purchasing power to increase in this area. In these conditions, an option we must consider is to reduce social contributions and adopting private pension systems.

(2) The policy of intelligent public investments in physical and virtual infrastructures (by modifying the *supply-side economics* paradigm)

Increasing investments in infrastructure, increasing investments in research and development, are elements of public policies that are compulsory for the countries in the East and especially for Romania. They will lead to the general development of society, to increasing consumption, to business development and, most importantly, to the creation of more and better paid jobs.

(3) Creating a beneficial social partnership for business and citizens

The state can and must be relieved from social spending through an added responsibility, from a social point of view, of

the private enterprises or of the civic structures. Moreover, such action will lead to the development of civil society and of the associated life. I support the provision of fiscal facilities for firms investing in development of services and infrastructures necessary for social policies. I also support targeted fiscal facilities granted to the NGOs.

Romania needs to compensate for the social capital and civic and communitarian spirit's weaknesses through the introduction of a culture of voluntarism.

(4) Investment in social policies (education, health, environment) as a productive factor and not just as social spending

Also in the spirit of stimulating social responsibility of the private and civic environments, I support granting fiscal facilities to firms / foundations that offer scholarships. At the same time, creating the culture of sustainable development that would propitiate the demands of the economic environment with the natural environment, the efficient use of European funds concerning the environment (an activity implying the creation of numerous jobs), increasing investments in human capital, which will lead to an increase in labour productivity, are compulsory actions that must be included in the public policy plans of social democrats.

The 'New Social Contract' sets in the centre of its actions redefining the relation of the citizen with the state, including the assistance dimension. The fact that a country has a great number of socially assisted people does not indicate a

success of social policies in that country, but rather their failure. The final purpose of social policies cannot be but to help those that cannot help themselves. And, in order that their number remains minimal, active social policies become a necessity. Protecting young families, supporting the elderly, those with small revenues or those having no revenue, those whose work was necessary during communism and now nobody needs any more, supporting the village people involved in a sector generating no wealth but only subsistence, are the landmarks of the social policies mixture Romania needs. Social policies must eventually translate into an equitable access to education, to medical services. A child of today who does not study in school is unemployed or a delinquent of tomorrow. Social policy offers, first of all, equal chances that will lead to an improvement of the quality of life for the many.

IV. b. The National Social Network

The 'New Social Contract' recognises the limits of state actions, both in terms of finances/budget and in terms of effectiveness. Therefore, I *propose the creation of a 'National Social Network'*, based on the partnership state – citizens – firms – NGOs. The 'National Social Network' is based on four principles: state support for the least favoured categories, freedom to choose the providers of social services, social responsibility of corporations and extended fiscal deductibility of spending on social services.

V. Conclusion

This is a part of our project for society: until 2017, a really wealthy Romania, where fortunes are not grounded on theft but on competence, talent and labour. A Romania where solidarity functions in order to give a chance to the poor, where economic progress comes together with social justice. A Romania proud of its top industries or of an economy based on the country's well-exploited traditional assets. A Romania that distributes justice and the benefits of society in an equitable manner. A powerful and responsible Romania concerning foreign and the European affairs, which gains respect through earnestness, labour, and measurable performance.