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SUMMARY

**DEVELOPMENT AND POVERTY REDUCTION PROGRAMS
IN POST-COMMUNIST ROMANIA**

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Probably one of the biggest contemporary buzzwords is the notion of development. Often seen as a miraculous solution which can solve any economic or social dysfunctionality caused by the inequitable redistribution of resources in capitalism, this concept usually ends up being misused. Despite the apparent simplicity of the concept, its implementation proves to be extremely complicated. This resides in fact that development is mainly based on a personal approach to defining the ideal standard of living. In essence, development refers to a process of social change, which most of the time can't be perceived while living through it, but it becomes obvious if it's observed over a longer period. From this point of view, I consider that the definitions of development primarily provide an overview of the development priorities in a society at a given time.

Research motivation

This research comes in the context where defining development has been focused lately on identifying as many indicators as possible to be able to provide an extremely precise operationalization of this phenomenon. While doing so, we now have approaches that use dozens if not hundreds of indicators to evaluate the level of development of a society. This is because these organizations want to have a universally valid method of determining the level of development for every society/culture on the globe. In other words, these approaches to defining development have become too large and too general to be able to provide a clear description of what development means.

Finally, the importance of poverty for the development process is not clearly described in current approaches. Currently, poverty is seen as another indicator, whose lower values indicate a good progress and implementation of development policies. This approach is extremely simplistic and does not provide a comprehensive view how poverty can affect development and vice-versa.

For this reason, this paper proposes two main objectives:

- Elaborating a development model adapted to the context cultural, social, economic, and political context of Romania.
- Determining the relationship between poverty and development and how these phenomena interact with each-other.

Methodology

To achieve these objectives, I have used two research methodologies: a qualitative approach in the first part of the analysis, to be able to historically evaluate the evolution of both concepts, and a quantitative approach to have a case study on Romania's development path, and to be able to evaluate the evolution of the main indicators in the model.

Thus, in the first chapters I performed a comparative analysis between the evolution of development and of poverty as theoretical concepts, highlighting the fact that these two concepts initially had a distinct evolution, only after the 1980s having been joined in a common approach, motivated by the need to provide development strategies for countries with different types of poverty. With these findings I was able to identify the main shortcomings of these approaches, which is why I was able to develop my own theoretical model.

In the last two chapters, I have applied this theoretical model to Romania's context, thus being able to identify the country's sources of development and poverty. Having a mainly quantitative methodology within this part of the analysis, I was able to identify certain patterns within the data set used. For example, along with the general decrease in the population's standard of living, there was also a decrease in administrative capacity, cultural production, and access to health and education services.

This model has a unique perspective on development, where it sees development not as a strategic investment in a certain economic or social field, but as a consequence of a good functioning of all social systems. This way, development is viewed as a self-sustained process by the internal mechanisms of society, and not as a consequence of an external investment. I call this development context an "ecosystem" because of how these social systems interact and evolve over time. An imbalance for an element within this system can affect the entire system, which is why I believe that this metaphor of the ecosystem describes very well the way in which development can be produced and maintained in Romania. Thus, we have 5 important components within this system:

- Economic development. Economic development take into account process of generating resources. This is quite a 'traditional' approach to economic development, but in the context of this model this view on economic development is adequate. Thus, economic development will consider factors such as: economic growth (measured through GDP per capita and consumption level).
- Social development. Social development is defined as the process by which individuals can accumulate cultural capital (knowledge, skills, diplomas that can be converted into

a source of income) and social capital (defined as the total number of human connections that individuals can mobilize to achieve a certain goal.)

- Political development. Political development is seen as stability and controlled change within this model (in this case, stability does not refer to a process of stagnation, but rather to an ability to plan the development path), as well as a multidimensional aspect of social change.
- Institutional development. Institutional development is defined as the process that ensures and maintains the administrative capacity of government institution.
- Cultural development. Cultural development is defined as total number of strategies aimed at encouraging and supporting the production and/or reproduction within the community of cultural elements. For example, encouraging cultural consumption for individuals by subsidizing the costs of cultural institutions are valid measures of cultural development.

Last but not least, the other important concept within this model is the concept of poverty. Determining a threshold below which an individuals, or a group of individuals can be considered as poor and in need of assistance has been a challenge for many organizations and governments. Currently, most international organizations consider the \$1.90 limit proposed by the World Bank, and individuals living below this limit are living in absolute poverty.

I consider poverty is a much more complex phenomenon, which considers many other factors beside the level of income. Even so, we can argue that those 1.90 dollars a day is not even an adequate indicator for poverty, because of the different purchasing power between countries. Someone with 1.80 dollars a day in Canada can have a different purchasing power than someone living with 1.80 dollars a day in Romania for example.

A relatively simple definition of poverty can refer to a state of permanent need for resources in order to ensure a decent standard of living. But, according to the social context of the individuals, poverty can be labeled as:

- Absolute - This concept of absolute poverty is based on the idea of basic human needs approach, launched by the World Bank in the 70s. This approach focuses on satisfying needs such as: nutrition, shelter, health, literacy, and work, as a form of development. An important criticism brought to this conceptualization of poverty is that defining 'basic' needs must take into consideration certain social, cultural, and geographical conditions, and not some universal minimum needs.

- Relative – This type of poverty focuses on identifying the minimal conditions accepted in a cultural and social space. Unlike absolute poverty, which tries to identify some standard universal minimum needs, relative poverty takes into account certain needs in a cultural and social context (eg: per capita income below the average income of a country/city).

Development in the contemporary context

This idea of development grew in popularity after the end of the Second World War, when development became a measurable objective which can be achieved by any nation. Until that moment, the development of societies was seen as an inevitable phenomenon, each society going through various stages of evolution. This new approach changed this assumption and introduced a new framework, where countries were labeled as developed or undeveloped according to a general economic indicator, mainly the GDP. This framework has been introduced with the adoption of the Marshall Plan, when both GDP was adopted as a standard for measuring development and a new dichotomy has been added (developed/underdeveloped) through which countries could be classified. This indicator remained the reference point for evaluating the level of development until the adoption of the human development index.

With the growth of globalization in the beginning of the 80s, and the outsourcing of production to countries with a much lower labor cost, but with a higher level of poverty, there has been a need for a development framework capable of including the characteristics of these countries. For this reason, though the adoption of the human development indicator, an attempt was made to lead the discussion about development closer to the "human side" of development, and less to the purely economic side. This way, HDI reduced the significance of GDP as the main indicator, putting in its place other indicators which have been ignored until then (indicators related to access to education or life expectancy at birth). HDI's reference indicators are based on Sen's theory regarding capabilities, and have as objectives:

- Improving human skills (where topics such as: life span and health, knowledge, decent standard of living are addressed);
- Creating the conditions for human development (where themes such as: participation in political life, environmental sustainability, human rights, gender equality can be found).

After the launch of the Human Development Index in 1990, the vision of both development and poverty and how poverty can be addressed have been changed. If previous models focused

exclusively on productivity or income growth, HDI takes into account indicators that measure access to education or life expectancy at birth, bringing a new perspective on the components that play an important role in the development of societies.

Thus, this new approach of including as many indicators as possible to capture the essence of development paved the way to the current definitions which now can have a large number of statistical indicators for measuring this concept (the World Bank, for example, uses 90 indicators for understanding development).

Even though this new approach may be highly practical, considering here only the higher capacity to monitor the indicators, it has faced some criticism. The use of such a high number of indicators can make for an extremely precise the measurement of a country's progress, or can provide an adequate comparison between two countries, but they cannot reflect certain socio-cultural-economic phenomena that can actually be the source of progress or regression.

Development and poverty in post-communist Romania

Having this conceptual framework, I was able to carry out an analysis on the course of development and the effect of poverty in the case of post-communist Romania. Using this conceptual framework, I was able to identify the sources of poverty that led to the systematic underdevelopment of society, as well as to its perpetuation. Poverty has been a pressing problem in the first post-communist decade, where a significant part of the population was either living in some form of poverty or close to the poverty line. However, the sources of poverty and especially regional discrepancies can be traced even before the socialist regime. Agriculture has been underdeveloped since the 1930s, and areas near large cities enjoyed a higher income level than mountainous or submontane areas. Under the socialist regime, the agriculture benefited from a greater degree of technology compared to the interwar period. However, it failed to compare to how many resources were allocated to industrial development. Being perceived as one of the most important areas of development, industrialization led to the development of cities, and the creation of regional supply lines designed to meet the needs of industrial production. After the fall of the communist regime, these supply lines could no longer fulfill their function due to economic restructuring, reason for which social polarizations increased during this period.

Throughout the transition period, there was a process of underdevelopment of the main social domains (political, economic, social, institutional and cultural). Probably the most obvious underdevelopments were those in the economic field, where considerable decreases in GDP

(compared to 1990) were recorded until the year 2000, as well as institutionally, where there was a withdrawal of state institutions from the rural environment within this period. The underdevelopment of these social domains brought with it numerous other phenomena such as deurbanization, deindustrialization, social and regional polarization or rural underdevelopment. In turn, these phenomena shaped the way in which the transition process evolved in Romania, triggering increases in the level of poverty to extremely high levels (in 1995 approximately 46% of the total population lived below the threshold of decency). In other words, the institutional, political, economic, social and cultural underdevelopment brought with it the phenomena discussed in this chapter, phenomena that in turn led to an increase in the degree of poverty among the population.

Carrying out the same analysis on the sources of poverty for the period 2008-2022. Thus, if in the first decades after the fall of the communist regime, the phenomenon of deepening poverty was the result of economic transition policies, in the post-2008 period, the causes of poverty are both the result of integration into the European economic system and a lack of capacity to recovery of damages from the transition period. For example, if in the last decade one of the most important causes of poverty was the deurbanization caused by the economic restructuring of the country, its place was taken by the phenomenon of migration that deepened with the accession to the EU. Likewise, problems such as social polarization, rural poverty, urban poverty, as well as the lack of administrative capacity remained relevant problems for post-December Romania, even deepened by the economic crisis of 2008. Thus, Romanian society in 2020 could be divided into four "Romanians " or development points:

- Bucharest, a region that excels in terms of per capita income, or access to health services, education, and life expectancy.
- Dynamic urbanized regions (Timis, Cluj, Sibiu, Braşov, Iaşi and Ilfov counties): regions that benefit from proximity to important urban centers (outside Bucharest). The values of the indicators that measure access to income, access to education and health services, as well as life expectancy are usually higher compared to the national average.
- The rural center of Romania (25 counties; 10.18 million inhabitants): Most of Romania's inhabitants live in this area. These counties are characterized by average values of the indicators used in this study, with certain exceptions: demographic dependency above the average, as well as the share of workers in knowledge-based sectors below the country's average.

- Rural and old industrial regions with significant socio-economic challenges: The fourth region is characterized by the lowest share of employees, low life expectancy and low income levels.

In these conditions, achieving the objectives of the development and poverty reduction programs may prove to be impossible. Even though the accession to the European Union provided an adequate institutional and legislative framework to be able to propose solutions for the problem of poverty. The adoption of the national strategy on social inclusion and poverty reduction 2015-2020 represented a strong step forward for the adoption of more appropriate policies for the elimination of poverty. Addressing issues such as zonal policies, policies aimed at people who recognize the importance of social transfers, as well as access to education and health, as well as an integrated approach in the field of social policies. But, even under the conditions of the existence of a strategic plan assumed by the government, in accordance with the broader strategies of an international organization such as the European Union, the local administrative capacity for the implementation of foreign policies is a key element.

Last but not least, to be able to reduce or eliminate poverty, an integrated approach is needed. Thus, although these new strategies for development and poverty reduction are much more comprehensive compared to the approaches used in the past, these strategies do not include other elements that can help limit poverty and generate prosperity. We can have an example through: social redistribution measures, ensuring access to social services, as well as promoting cultural production and consumption. The existence of poverty represents a dysfunction of society, which is why the general development of society in all its fields of development represents the sustainable way to generate and maintain a high standard of living.

In conclusion, development is a phenomenon which involves all social domains, starting with economic, political, institutional, as well as cultural and social development. In the absence of the harmonious development of each social field, the development phenomenon cannot be sustained for a long period of time, and it can generate dysfunctions within society. In this case, we can only remember how economic development can generate the growth of social inequalities in the absence of the development of other social fields, such as institutional development, capable of redistributing the surplus of resources generated by economic growth.