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THE ROMANIAN EUROPEAN MONETARY INTEGRATION

-summary of the thesis-

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Summary:

The official adoption of the single European currency by Romania is a project that has economic implications, as well as political and social-cultural ones. It follows a historic approach and economic-political cooperation tendency of European sovereign states which was initiated in the 1940-1950s. Romania joined this long process starting with the 1990s by entering the European Union on January 1, 2007. The transition from a centralized economy to a market economy and the pre-adherence and post-adherence periods have brought about profound changes in the economic system of Romania. Although the aforementioned changes occurred at an increased pace from a historical standpoint, there are serious question marks as to whether the economic agents are sufficiently trained to meet the requirements of a member state of the European Union (EU).

Therefore, Romania has reached a high level of economic integration within the European Union on account of the aforementioned processes. Following the logic behind Balassa's stages of integration (1961), we can state that “only” integration in the monetary and political unions separates us from full integration in a European supranational system. For most of the member states of the European Union, the establishment of the monetary union is an advanced process, 18 out of the 28 already participating in this even more profound integration process and constituting 73.4% of the Union’s gross domestic product (GDP). However, political integration remains an unresolved problem within the entire system despite the multiple efforts undertaken at this level over the last decade.

In this context, the present paper focuses on the integration of Romania in the European monetary union. The choice of this particular topic was based on several considerations, both personal and general in nature. On the personal level, it branches from my interest in the field of macroeconomics, an interest which can be traced back to my student years. In 2001, I attended the IVth Students’ Science Conference in Transylvania and was awarded the 3rd prize for a presentation and analysis of the national medium-term economic development strategy of Romania. In 2004, I elaborated my dissertation paper after analyzing a monetary regime which would also be

implemented in Romania the following year. That regime is direct inflation targeting. Apart from these personal considerations, the choice of the topic was also based on the timeliness, scope and importance of the project, as well as on its potential effects on the native society.

By signing the Adherence Agreement on April 25, 2005, our country assumed the obligation to adopt the euro currency. However, the agreement does not stipulate a fixed deadline by which Romania must meet the legal terms for the introduction of the single currency. Thus, theoretically, there is a certain level of flexibility as regards the fixation of this date. Similarly to other member states of the European Union, Romania could extend this process or, on the contrary, it could accelerate it, depending on its own interests. Of course, the date of entry into the euro area depends not only on the Romanian political view, but also on the availability of the European authorities. Our approach focuses on the former aspect. Thus, we have identified those tasks the native economic policy must complete for euro currency adoption. We started from the hypothesis that it is impossible to estimate exactly which of two scenarios would be more advantageous: a fast adoption process or a slow one. However, the presentation of the current economic context enabled us to identify the scenario with the higher prospect of generating the largest net benefits.

The net benefits associated with a scenario depend both on the benefits per se and the costs involved. The benefits of adopting the single European currency lie in lower transaction costs due to the elimination of currency conversion costs and other related costs, in the elimination of exchange rate fluctuations (in relation to the European currency), increased consumer welfare due to an increased transparency of consumption prices, which can be compared more easily, price stability and lower interest rates.

The most important cost of euro adoption is the loss of an economic policy tool, namely that of the monetary policy, which, in theory, can contribute to the absorption of adverse internal and external shocks in certain situations. The size of this cost depends on the real capacity of the monetary policy to contribute to the adjustment of the real economy in such situations, as well as on the availability and effectiveness of alternative mechanisms. In this train of thought, we wish to analyze the relative dimension of the former component and also identify the availability of these alternative mechanisms at Romania’s level. Furthermore, we propose the identification of those economic policy measures that, once adopted in the preparation period, can help increase the effectiveness of the alternative mechanisms.

Schumpeter (1954) wrote in his famous work that the economist stands out from other people, who reflect on economic issues based on the methods they use, namely theory, statistics and history. These three elements constitute the economic analysis. An economic analysis will not be consistent unless based on all three elements mentioned above. One of the challenges a research economist must meet is to combine these elements so as to achieve a balance between them. It cannot be said that one is more important than the other. For example, statistics are incomprehensible in the absence of theory. Theory and molding help us explain various phenomena starting from certain paradigms by partially capturing the objective economic laws. The explanatory power of a theory also lies in its ability to contribute to the elaboration of a prognosis which is to be validated by reality. Statistical methods help us test the theories that have been elaborated. In this train of thought, a theory does not have an explanatory value unless it is validated by reality.

On the other hand, the importance of applying the historical view on economic research cannot be overlooked either. It must be emphasized despite researchers overlooking it. According to Schumpeter, there are three arguments in this regard. A first one concerns the very nature of the object of economics. Economics studies processes and phenomena that take place over time. Second of all, the historical view integrates not only purely economic theories, but also institutional factors, which cannot be overlooked within a consistent research framework either. Third of all, according to Schumpeter, the majority of fundamental errors encountered in economic analyses result from a flawed knowledge of the historical aspects rather than from a misuse of the analysis techniques.

Following the lines of this perspective, Chapter I contains an overview of the most important contributions of economists to the development of the optimum currency area theory. Once we situated the topic within the context of the evolution of economic thinking, we presented the traditional views on it dating from the 1960-1970s, as well as the modern approaches, including those to the endogeneity of the optimum currency areas, which were established later on.

Thereinafter, the monetary integration process approaches the events of the last six decades from a historical standpoint. Throughout this presentation, we highlighted those aspects that are relevant at present and have helped us provide answers to the formulated questions. Thus, we had the opportunity to also tackle a number of aspects that go beyond the strictly economic dimension.

The experiences of the first 11-12 countries to adopt the euro currency can serve as sources of inspiration in terms of assessing the potential dangers that may arise following the introduction of the single currency. However, the assessment of the case study analyses must be conducted according to terms adapted to the countries with greater differences in development. Indeed, the experiences of the countries that entered the euro area after 2007 can be of higher relevance given the more similar delays. However, their analyses also have their limitations, mainly due to the relatively small size of these economies.

The adoption of the euro currency is conditioned by the fulfillment of a set of nominal criteria regulated by the Maastricht Treaty and its appendices. Numerous analyses have been performed at this level over the past few years. However, the present paper could not overlook such an analysis. This analysis followed an extended period of time and presents the context of the degree of fulfillment of these criteria at multiple times in recent years. Its purpose is to reveal the tendency at this level.

The most recent challenges regarding the adoption of the euro currency are related mainly to the continuation of the process of convergence and its sustainability. Therefore, we performed a more detailed analysis on this issue. Due to the fact that the criteria identified by the literature are not fully covered by the nominal convergence criteria, this required an analysis of both the nominal criteria and the degree of convergence from the point of view of the optimum currency areas. Thus, we studied the openness of Romania's economy, the similarity of the economic structure, the export and import/GDP ratio, the synchronicity of the economic cycles, the level of product diversification, the financial integration, the flexibility of the goods and services markets, as well as the flexibility of the labor market.

Although Romania recovered a significant part of its economic delay in comparison with the European Union and the euro area (EA12 or EA18) in the 2000s, the gap is still significant. The improvement of the performances of the real economy gains even greater importance in the context of Romania's participation in the monetary union. In this context, apart from the aforementioned indices, we also analyzed other indices relevant to the real performances of our country's economy: the level of the gross domestic product per capita calculated at the purchasing power parity, the average productivity, the net international investment position, the foreign direct investment, the public infrastructure and the level of human capital accumulation.

The economic gap can constitute an obstacle in the way of euro adoption. The answer to this question enabled us to identify those terms on which integration in the euro area with yet a significant (unprecedented) gap does not generate additional macroeconomic problems derived from the status of member of the euro area.

We have equally approached the institutional aspects in this paper. Renunciation of the monetary policy increases the responsibility of the fiscal and budgetary policy. Of course, it would be plausible to state that, in accordance with the economic theory, this responsibility largely belongs to a fiscal and budgetary policy which must be led at the level of the entire currency area. However, the absence of such a community policy (of wide scope) and the specificity of the analysis angle have determined us to identify the implications of the vernacular fiscal and budgetary policy both during the preparation period and subsequently. The literature refers to the opportunity and effectiveness of the fiscal and budgetary policy in terms of its influence on the macroeconomic variables by identifying arguments on its uses and limitations. The critical remarks refer to the economic slippage fiscal and budgetary policies can cause as a result of being led by people whose optimization plans do not necessarily go beyond the election cycle. Therefore, the implementation of fiscal regulations and development of the institutional system with regard to the consolidation of the Fiscal Council were required. Within the present paper, we have referred to institutional aspects related not only to the fiscal and budgetary policy, but also to the monetary policy area, the latter playing a role in influencing the terms preceding the adherence to the euro area.

The research methodology was based mainly on the equal use of primary and secondary sources. The review of the literature was based on the primary sources, wherever possible, but the limited access to such resources determined us to use the secondary sources in the literature as well. We also used the document analysis method. Thus, the paper includes analyses of annual reports, convergence reports, convergence programs, state reports of autochthonous, European and international institutions and organisms.

The paper combines quantitative and qualitative analysis methods. The main source of primary data is the EUROSTAT database, but statistical data available in specialized articles was also used on occasion. The paper did not propose a special econometric model for a specific issue, but the analyses cover the outcomes of various empirical studies. The comparative analyses included analyses on flow and stock indices, bringing to attention those cases which present an interest from the point of view of the chosen topic. The research was based on sources and data available until August 2014.

The interpretation of the conclusions reveals that the analyses are dominated by the positive approach. However, it would be an illusion to believe that a distancing from any normative influences was fully achieved. That is precisely why we deem important the manifestation of personal conviction, according to which these processes of integration in the European economy contribute to the general welfare and peace support of the states involved. This is the reason why the author supports the aforementioned processes.

The innovative nature of the paper lies in the integrated approach to the theoretical, historical, statistical and institutional aspects of a state becoming a member of a monetary union during both the pre-adherence and post-adherence periods. The institutional considerations were not reduced to the currency ones (as in most cases), but included those related to the fiscal and budgetary policy as well. Moreover, we wish to emphasize another relatively unique feature of the paper which lies in long-term analyses being performed, thus reflecting our conviction that long-lasting transformations occur in the long run and must be regarded as such.

The use of the paper follows three distinct lines. Firstly, the outcomes can be capitalized to substantiate a number of economic policy decisions which help optimize Romania's way toward the euro currency. Secondly, the research outcomes can be integrated in the process of modernization of various university courses, thus contributing to a better training of the future specialists in the fields of macroeconomics and international finance. Thirdly, these outcomes can also be disseminated to the public through specialists in the field of economic communication, as well as through written and virtual media. Thus, they would have the opportunity to form different opinions on the subject with full knowledge of the facts.

The European monetary integration of Romania is a major project of the native economic policy which ceases the Romanian currency circulation and replaces it with the European currency. This currency issuance is attributed to a supranational institution. Renunciation of one of the symbols of national sovereignty can be difficult to understand after the European nations fought for the manifestation of national identity for centuries. The economic and then monetary integration processes were initiated in order to restore Europe's global economic influence and peace on this content, respectively. Thus, the political initiative to create a common European market would contribute to an increased welfare of all participating countries. This process was associated with an increased interdependence of European countries. Rationally, an increased interdependence situation of this nature causes a higher mutual interest in creating a favorable context for economic development both within a country's own economy and within partner economies.

The launch of the common European market creation project defined a challenging pathway for the European economies. The completion of the stages of economic integration generated large tasks for the decision factors. Disputes between the countries involved in the process also occurred. There were several crisis situations that occurred during the integration process and required political will in order to be resolved. A relevant example in this sense would be the Werner Plan, which failed not only because of an unfavorable international context, but also because of this lack of political commitment.

On the other hand, the road to European integration has been one-way, each stage being the consequence of the previous ones. Practically, there are no alternatives, the process cannot be ceased or interrupted when a certain stage of integration is reached. Such an attempt would jeopardize the whole process up to that point.

The global effects of the processes were both positive and negative. Of course, the reform of the Bretton-Woods system impaired the integration process, the efforts made to stabilize the European exchange rates being in contradiction with the global evolutions. However, the system that followed the Bretton-Woods one brought forth an increasing influence of the financial markets as well as the gradual liberalization of capital flows. We believe this process positively influenced the continuation of the European integration process. Practically, an increasing number of representatives of the private area developed an interest in the progress of the integration process. In this context, the political factor was forced to comply in order to be able to maintain its power to some extent (regardless of its orientation). The integration process reached a high level upon the introduction of the single European currency. Similarly to the Western European countries, starting with the 1990s, Romania undertook the pursuit of the countries already members of the European Union, achieving economic integration into this supranational system within a relatively short period of time. However, it received a temporary waiver from the use of the euro currency.

The optimum currency area economic theory developed as the European integration process progressed. Thus, it was unable to provide a solid, established basis for the economic policy decisions made in the Western European countries. However, it constitutes a framework for a macroeconomic analysis of a country's readiness to adhere to a currency area.

The criteria identified by the literature can be divided into two categories. One consists of those criteria which can be used to measure the likelihood of specific shocks arising, whereas the other consists of those which can be used to assess the effectiveness of the mechanisms used to compensate asymmetric shocks. Thus, a high level of economic openness, a heavy commercial activity between the analyzed country and the currency area, similar structures of production and employment and a balanced macroeconomic policy reduce the likelihood of big asymmetric shocks arising. The risk of asymmetric shocks arising is present even in the context where a country can be positively characterized based on these indices. In such cases, the process of the country's economic adjustment is faster and less costly provided that the market for goods and services is flexible, the labor market does not present nominal rigidities and the labor force is characterized by high geographical and occupational mobility. Financial integration has a special status within this categorization. On one hand, it is due to the fact that it reduces the likelihood of asymmetric shocks arising thanks to the channels that ensure the rapid transmission of the economic effects occurring in certain areas that constitute the currency area. On the other hand, it is due to its ability to facilitate economic adjustments on condition that the costs associated with it are reduced at least in the short run. However, financial integration may also mask indicators of real economy issues which can aggravate in the long run if not resolved.

The analyses on Romania have allowed us to identify periods of convergence and periods of time when the economic convergence stagnated. As far as the nominal convergence indices are concerned, the challenge consisted in meeting the monetary criteria, the inflation rate criterion in particular. One explanation can be found in the context of the early 2000s, where the consolidated general budget deficit was low, but the inflation rate was approximately 40-50%. Another explanation lies in the nature of these indices. The consolidated general budget deficit and therefore the public debt are the direct result of an economic policy decision, whereas the inflation rate is not as easily to influence, the effects of monetary policy decisions on prices being indirect, unstable and only occurring after a certain period of time.

The progress of the Romanian nominal convergence was not constant. Before 2007, Romania's macroeconomic policy was a prudent one which guaranteed nominal convergence both at a fiscal and budget level and a monetary one, contributing to the substantiation of the real convergence. Starting with the second half of 2007, the prudent macroeconomic policy was replaced by an expansionist one, contributing to the destruction of the macroeconomic balance. The process of convergence halted, the consolidated general budget deficit boomed over 3%, reaching a peak level of 9% in 2009. At the same time, a deterioration of the monetary indices occurred, the inflation rate rising to almost 8%. A new stage of nominal convergence was initiation as the macrostabilization program was implemented at the middle of 2010. The macrostabilization program generated consistent results from the point of view of euro currency adoption, contribution to the fulfillment of the nominal convergence criteria starting with June 2014. Of course, this statement must be nuanced in a legal context because of the existing regulations on the exchange rate stability criterion. Even though no major exchange rate fluctuations were registered between the national currency and the euro currency over the last four years, the criterion is deemed met from a legal point of view as long as Romania provides for the stability of the exchange rate within the Exchange Rate Mechanism II (ERM II).

The fulfillment of the nominal convergence criteria reflects an economic policy oriented toward the achievement of macroeconomic balance. The criteria for adherence to a currency area identified in the literature also target other fields of economics. Romania's situation is a favorable one for euro currency adoption as far as its nominal convergence is concerned. However, it is not as favorable as far as the other criteria are concerned. The observation of the progressive fulfillment of optimum currency area criteria revealed improvements in several areas and stagnation in others. Deterioration was not typically encountered.

The current situation of Romania is a favorable one in terms of financial integration, the level of economic openness and the high community commerce penetration. The flexibility of the labor market is also due to low labor law protection and relatively high cross-border mobility, among others. As far as the synchronicity of the economic cycles goes, although it is yet to reach the levels encountered in other European countries, the evolution in this area is a favorable one. The differences in terms of the structure of the native population and that of employment are above the European average. However, these indices cannot be influenced by the economic policy decisions directly. In turn, the economic policy can contribute to an increased flexibility of the labor market by increasing the public expenses which finance the services aimed at the population in search of employment.

The comparison between the level of the gross domestic product per capita and this index of the euro area is not identified as a criterion for adherence in the literature. However, the relatively low value of this index is a source of continued concern among representatives of both the monetary policy and the fiscal and budgetary policy. Romania has registered a significant progress in this area, the level of the gross domestic product per capita calculated at the purchasing power parity rising from 26% (in relation to the EU back in 2000) to 54% (in relation to the EU back in 2013). However, this remains one of the lowest values of this index, far below the European Union standard.

This important leap was mainly powered by the attraction of external financial resources, which provided the advantage of allowing development without a temporary reduction in the native consumption being registered. The disadvantage of this model, however, lies in Romania's increased external vulnerability and limited possibilities to continually increase consumption. The accumulations of external financial resources in the form of direct foreign investments and debt-generating resources generated an unfavorable situation in terms of the country's net international investment position (NIIP) by the end of 2013, the external passives exceeding the external actives by 87.6 billion euros, the equivalent of 62% of Romania's gross domestic product. The EU scoreboard for the surveillance of macroeconomic imbalances also reveals this situation, the only index exceeding the reference value (in 2013) being the net international investment position index. Another disadvantage of this economic growth model lies in its limitation of the future increase in consumption. The native consumption is determined by the available income of native households. However, in this case, these incomes and the gross domestic product do not increase to an equal extent. Part of the increase in the gross domestic product is due to the incomes of non-residents, which represent the counterperformance for the invested or loaned capital.

The GDP level is an object of concern in the context of adherence to the euro area as a result of the existing connection between this index and economic cyclicality, as well as the higher likelihood of an economic dynamic different from that of the euro area arising. The closer Romania's development index to the European average, the higher is the synchronicity of the economic cycles, which reduces the likelihood of specific shocks arising. According to the analysis performed within the paper, Romania's cycle synchronicity index has increased from an average of 0.57 between 2002 and 2005 to an average of 0.65 between 2010 and 2013.

Another issue which can arise because of the difference between Romania's gross domestic product per unit and the European average is related to the possibility that the economic growth dynamic be significantly greater than the European one. The bigger the difference between the GDPs, the greater is this possibility, too. A greater and more sustainable economic growth dynamic, along with an increase in labor productivity based on the Balassa-Samuelson effect puts pressure on the relative native prices. In developing countries, including Romania, the periods when economic delays are recovered are characterized by increases in productivity in the sectors where tradable goods are produced (the industrial sectors mainly, but not exclusively). Therefore, increases in the real incomes also occur in these sectors, along with reductions in the relative prices in parallel, which causes a reduction in the prices for tradable goods as compared to other types of goods (e.g. non-tradable services).

The nominal adjustment of prices can be performed based on one of two mechanisms. The first one refers to the nominal growth of prices for non-tradable products and services and the nominal incomes in these sectors. This type of adjustment does not require the modification of the exchange rate level as a result of the nominal prices of tradable products remaining unchanged. However, this mechanism is associated with an increased national inflation rate. An alternative to the increased inflation rate lies in the modification of the exchange rate so as to achieve an appreciation of the Romanian currency (the second mechanism). The prices for tradable products are international and Romania does not have the necessary economic power to influence them. Therefore, the modification of the exchange rate puts pressure on the prices for native tradable products calculated in the national currency in the sense that it imposes their reduction. As a result, the need to increase the prices for non-tradable products and services is lower as compared to the first mechanism, the same relative price adjustment being achievable at a lower inflation rate.

Thus, the exchange rate tool proves even more useful in the context of such pressures from the real economy resulting from the economic growth dynamic being much greater than in the other countries members of the euro area and European Union respectively.

There is a theoretical likelihood of a significant economic growth dynamic arising in Romania as it happened in the 2000s. However, we believe that in practice, the following limitations arise. On one hand, the source of economic growth of the 2000s, namely the external financial resources, can no longer have a dynamic and a contribution as important as back in the 2000s. The alternative, namely the internal financial resources, involves a much slower accumulation process, which is due precisely to the lower internal incomes available. Moreover, a fraction of the internal savings that accumulate over the following period contribute to the adjustment of the international investment position. The resources that thus become unavailable (even though insignificant) do not contribute to the native economy. They simply improve the NIIP. Considering this NIIP adjustment effect as well, the internal financial resources cannot generate a major economic growth similar to the one registered during the previous decade.

On the other hand, a major economic growth is unlikely because of the low real and human capital accumulation. Our analysis has showed that the real public capital accumulation is among the lowest of the countries in the European Union. The same situation applies to the educational system, which provides a possibility for human capital accumulation.

These arguments do not exclude the continuation of the economic delay recovery process, especially if the possibility of attracting European development funds is also considered. They only substantiate the low likelihood of a new wave of economic growth similar in scope to the one in 2000-2008 arising. The process of economic delay recovery will continue in the future, though at a slower pace. Romania could still recover some of the existing delay within a period of five years, that is before 2019. An additional annual economic growth averaging 2.5-3% would propel it to 63-65% of the EU average. A convergence of the gross domestic product per capita calculated at the purchasing power parity equivalent to 80-85% of the EU average could be reached within fifteen to seventeen years by achieving an additional average annual growth of 2.5%. In the event of an additional average annual growth higher than 3%, the threshold of 80-85% of the EU average could be reached within thirteen to fourteen years only.

In these conditions, the loss of the monetary policy tool and therefore of the exchange rate tool does not incur high costs for Romania. This conclusion is also supported by the high level of euroization of the Romanian economy, which in its turn reduces the effectiveness of the independent monetary policy ab ovo.

Given the abovementioned facts and in the existing conditions, we consider that the economic delay does not constitute an obstacle in the way to the adoption of the single European currency.

In these conditions, the issue of deciding on the right time to replace the national currency with the single European currency becomes current. Romania has showed an atypical conduct as far as the fixation of the target date for euro adoption is concerned. Most of the countries in our area pled for a fast adoption of the single European currency after adhering to the EU, fixing dates within the interval 2008-2010. Romania, on the other hand, was more reserved. At present, Romania is the only country that has fixed a target date (except for Lithuania, which has reached advanced stages of the process and is set to adopt the euro currency starting January, 1, 2015). The target date of January, 1, 2019, was fixed upon the adoption of the Convergence Program in April 2014. The advantage of there being a credible target date is that it mobilizes the political factor when in terms of making those decisions that are necessary for the improvement of the level of readiness of the Romanian economy to adopt the European currency. Based on the willingness of the economic policy to take consistent action as regards this target, we estimate that the matter of the euro currency being introduced at the end of this decade is a real one.

The adoption of the euro currency at the established target date requires two types of actions. On one hand, the economic policy must maintain the existing macroeconomic balance in order to consolidate the processes undertaken in previous years and stabilize the inflationary expectations for the upcoming period. On the other hand, the economic policy decisions must aim at increasing the competition on both the markets for goods and services and the labor market. The measures that can lead to an increased competition on these markets must aim to reduce the economic distortions caused by the inefficiencies of the government administration capacity, as well as those caused by state-managed companies that accumulate arrears to the state budget.

The introduction of the euro currency presupposes the irrevocable fixation of the Romanian currency exchange rate in relation to the European currency. However, it is compulsory that the Romanian currency has been part of the ERM II for a minimum period of two years. As regards the optimum exchange rate, there are arguments in favor of both an appreciated exchange rate and a depreciated one. With the appreciated exchange rate, the advantage is that it facilitates the convergence between the general and European levels of the native prices. The nominal values calculated in the national currency (consumption costs and native active prices) and converted at an appreciated exchange rate will be closer to the European prices (the native prices calculated in euros will be higher and imports will become relatively cheaper). This type of situation is beneficial in case there is a high probability that the economic delay recovery process will continue. Thus, a lower exchange rate can prevent the additional inflationary pressures which can arise on account of the delay recovery process after the adoption of the euro currency.

However, an appreciated exchange rate can also affect the economic competitiveness. Unless the economic delay recovery process continues after adherence to the euro area and the country's labor productivity increases at a faster pace than the European one, it will generate deflationary pressures. This affects the prospects of native economic growth and therefore puts pressure on the labor market as the unemployment rate increases. Of course, it cannot be estimated ex ante which of these scenarios will be achieved in the future, which is why an ideal exchange rate cannot be achieved. The role of exchange rate markets in the establishment of the exchange rate becomes essential in such situations.

The institutional framework of the monetary policy in Romania and the operation of the direct inflation targeting regime during the pre-adherence period provide the opportunity of an exchange rate evolution that reflects the market expectations on the future evolutions of the Romanian economy. On the other hand, the development of the institutional framework in the area of fiscal and budgetary policy contributes to the consolidation of a balanced macroeconomic policy during the pre-adherence period, but more importantly in the medium and long term.

"Natura non facit saltum". Nature does not make jumps. The epigraph of Alfred Marshall's famous work briefly depicts the Romanian economy's pathway of future evolution.

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