

A decorative graphic consisting of a grid of grey dots of varying sizes, with several dots highlighted in red. The dots are arranged in a pattern that roughly outlines the shape of a map of Europe.

# Austerity and Structural Reforms in Romania

## Severe Measures, Questionable Economic Results and Negative Social Consequences

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August 2012

- The response of the Romanian government to the economic crisis came late, but the austerity measures were among the most severe in Europe.
- The crisis response policy, consisting of austerity measures and structural reforms, stemmed from a combination of international pressure (from the IMF), the doctrine of the centre-right governing coalition and lobbying by some major social and economic stakeholders (for example, business associations).
- The austerity measures focused mainly on public employees and social welfare beneficiaries, while the structural 'reforms' encompassed a broad range of areas, from the labour market to social welfare and health care, as well as the privatisation of several Romanian companies.
- Many sectors of Romanian society and the economy were plagued by deficiencies and low performance and needed to be reformed, but there is no evidence that the implemented structural reforms have resulted in any improvement in the quality or performance of the targeted services.
- The impact of the crisis response measures is hard to measure at this point, but there is evidence suggesting that most of the stated objectives of the structural reforms were not achieved, except for the budgetary adjustments and fiscal consolidation.
- The austerity measures had negative social consequences, including persistently high unemployment, a low employment rate and a low sense of wellbeing among the population.

## Political Background

Romania was admitted as a full member of the European Union in 2007. At that time, the country was led by a centre-right coalition, with Calin Popescu Tariceanu as Prime Minister. Although Romania had been experiencing vigorous economic growth for several years, society was still afflicted by inequality<sup>1</sup> and poverty<sup>2</sup> (including among the employed population the so-called »working poor«<sup>3</sup>). The main economic changes promoted by the Tariceanu government were the introduction of the flat tax (2005) and an increase in the number of public employees by around 400,000 (from 2004 to 2008). Nevertheless, the robust economic growth moderated the adverse impact of these changes (for example, the increase in public expenditure). The effects were felt only in 2008, after the outbreak of the global financial crisis, with a budget deficit amounting to 5.7 per cent of GDP at the end of 2008.<sup>4</sup>

The main effects of the global financial crisis became evident only in late 2008 and Romania was forced by circumstances to sign a standby agreement with the IMF in 2009. However, the key austerity measures were enforced only starting in 2010, when the impact of recession had become alarming: high unemployment rates, an uncontrollable budget deficit and a drastic decline in domestic demand. The political promoter of the austerity measures was the centre-right government led by Prime Minister Emil Boc, appointed after the elections in 2008 and formed by a coalition of parties including, among others, the Democrat Liberal Party (PDL), the main party in power and a member of the European People's Party (EPP). President Traian Basescu played a special political role as he positioned himself as the main advocate of »reforms« and austerity measures. The severe austerity measures quickly eroded people's confidence in the government and the President. The growing social tension and dissatisfaction caused by the austerity measures culminated in a wave of protests in January 2012, leading to the resignation of the Boc government and the appointment of a new cabinet headed by technocrat Mihai Razvan Ungureanu,

which continued, in its three months in office, the economic and social policies of its predecessor. The Ungureanu government was dismissed in April 2012, following a motion of no confidence promoted by the opposition. It was replaced by a coalition formed by social democrats, liberals and conservatives, which maintained unchanged the agreement signed with the IMF (for 2012–2013). The incongruity of the new coalition in point of doctrine and the constraints related to the upcoming elections make it difficult to assess its position on austerity and it remains to be tested in practice only in 2013, after the elections in November 2012.

## Economic Background

When the crisis broke out in 2007, Romania's economic growth was mainly boosted by domestic consumption. However, even before Romania's accession to the EU in January 2007, the private sector's expectations related to the acceleration of the convergence process put increasing pressure on wages, stimulating private consumption. Although the economy had high rates of growth (see Table on next page), with an average annual increase of 6.8 per cent in 2004–2008, most of that expansion was generated either by investments in non-marketable sectors (for example, construction) or by the consumption of durable goods, which were mainly imported. This situation had two consequences. First, an increase in the current account deficit, which peaked at 13.6 per cent of GDP in 2007, and second, the rising indebtedness in a private sector that turned to loans, mostly from banks, to finance consumption and investments.

Romania was directly affected by the crisis in the last quarter of 2008, when the evolution of economic indicators took a sudden turn for the worse. Industrial production and domestic consumption accelerated their declining tendency and budget revenues collapsed. The budget deficit and current account deficit aggregated financing needs amounted at the end of 2008 to over 20 per cent of GDP. Under the circumstances, considering the major financing difficulties affecting the capital markets at that time, the Romanian authorities were forced to seek support from the international financial institutions. In March 2009 Romania signed a two-year standby agreement with the IMF for a total amount of EUR

1. See: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdsc260&plugin=1>

2. See: [http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020\\_50&language=en](http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_50&language=en)

3. See: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tesov110&plugin=1>

4. See: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsieb080&plugin=1>

12.95 billion.<sup>5</sup> The total financing package, which also included aid from the European Union and the World Bank, amounted to EUR 19.95 billion.

#### Romania – rates of growth

	2006	2007	2008	2009	2010	2011
GDP growth, %	7.9	6.3	7.3	-6.6	-1.6	2.5
Domestic demand's annual growth, %	14.2	15.9	8.3	-13.5	-1.6	3.2
Budget deficit, % of GDP	-2.2	-2.9	-5.7	-9.0	-6.8	-5.2
Cyclically adjusted budget deficit, % of GDP	-4.3	-5.3	-8.8	-9.1	-5.9	-4.4
Current account deficit, % of GDP	-10.6	-13.6	-11.4	-4.2	-3.9	-4.1
Public debt, % of GDP	12.4	12.8	13.4	23.6	30.5	33.3
Unemployment rate, %	7.3	6.4	5.8	6.9	7.3	7.4

Source: Eurostat.

The political cycle played an important role in worsening the crisis in Romania. The payroll costs in the public sector almost doubled in the fourth quarter of 2008.<sup>6</sup> The general elections of November 2008 were the main reason for such increases, as the parties in power attempted to gain popularity by raising voters' salaries. The additional payroll costs and other additional costs of the government related to goods and services generated in the last quarter of 2008 alone a deficit of around GDP three per cent, which put even more pressure on future levels of the public debt. From the end of 2008, the public debt increased by 150 per cent of GDP, from 13.4 per cent to 33.4 per cent in 2011.

The crisis had a heavy impact on the labour market. However, the initial adjustments were made mostly by the private sector. The layoffs in industry, construction and commerce totalled around 315,000 employees at the end of 2009, in other words, over 85 per cent of the total redundancies in the economy. Overall, the num-

5. This agreement was subsequently extended for an additional two-year period, until March 2013, in the form of a precautionary agreement for 3.1 billion Special Drawing Rights (SDR).

6. See: <http://discutii.mfinante.ro/static/10/Mfp/buget/executii/dec2008.pdf>

ber of redundancies contracted by 13 per cent, from the peak of 4.8 million reached in May 2008 to 4.2 million in June 2011. As a consequence of this alarming situation, many of the measures adopted by authorities at the beginning of the crisis were mainly aimed at protecting the labour market. Thus, they focused on encouraging investment by means of tax exemptions on reinvested profit,<sup>7</sup> exempting the companies that hired unemployed persons from the payment of social security contributions for a period of up to six months,<sup>8</sup> deferring the payment of taxes by companies for up to six months, introducing technical unemployment, by which companies were exempted from the payment of social security contributions in case of temporary suspension of operations<sup>9</sup> or granting support to SMEs.

Purchasing power declined. While at the end of 2008 the net annual average salary in the economy experienced an annual increase of 23 per cent, this dropped to 7.7 per cent in 2009 and to 1.8 per cent in 2010.

The growing unemployment and contracting economy resulted in a decrease of budget revenues, with a direct impact on social security. The social security budget experienced a deficit of 2.3 per cent of GDP in 2011. Nevertheless, this situation only partially reflects the effects of the economic crisis, as the actual problem is the high dependency ratio.

The significant adjustment of the budget and current account deficits drastically reduced financing needs by the end of 2011. However, the evolution of Romania's economy continues to be largely dependent on the evolution of the EU economy.

## Austerity and »Structural Reforms« – The Romanian Crisis Response Strategy

The government of Romania adopted in June 2010 a package of particularly severe anti-crisis measures. The wages of government employees were cut by 25 per

7. This measure was enforced relatively late (Law No. 329/2009). According to the Ministry of Finance, exempted taxes amounted to almost RON 18 million in 2009 and are estimated to reach RON 320 million in 2010.

8. In February 2010, by the Emergency Government Ordinance No. 13/2010.

9. Enforced by the Emergency Government Ordinance No. 4/2010. Employees were paid 75 per cent of their wages. The measure was applied until the end of 2010.

cent<sup>10</sup> and social security benefits by 15 per cent,<sup>11</sup> while VAT was increased by five per cent, from 19 per cent to 24 per cent.

By contrast with 2010, when greater emphasis was laid on measures to rapidly achieve macroeconomic objectives, 2011 was a year of »structural reforms« requiring changes in legislation.

The labour market and industrial relations were at the core of these »structural reforms.« The new Labour Code was passed in March 2011, by the government's assumption of responsibility, despite disapproval by the trade unions, employers' associations and the parliamentary opposition. The new law regulated relations in the labour market, allowing easier termination of employment, as well as the use of fixed-term employment contracts and temporary work. Another effect of the new law was a limitation on the immunity granted to former trade union leaders.

The influence of trade unions was diminished by the adoption of a new Social Dialogue Code in the summer of 2010. The Code imposed certain legal obstacles on trade unions by introducing stricter criteria for obtaining representativeness, complicating the administrative procedures for registration of new trade unions and eliminating the so-called professional trade unions, which were the only legal possibility for employees to establish a trade union. National collective negotiations and the national collective agreement were also eliminated.

At the same time, the government engaged in a process of restructuring public sector employment. According to data provided by Eurofund, in 2010, the peak year of austerity, Romania was the EU champion in job restructuring, with 78,700 jobs terminated, representing 21 per cent of the total jobs terminated in EU countries. Of the total jobs terminated, 60,610 were government positions, representing over half (54.64 per cent) of the total government positions eliminated in the entire EU.

Another significant regulatory change introduced in 2011 referred to the reform of the social security system, which was intended to put into practice the gov-

ernment's vision of the need to diminish the extensive welfare state and to encourage work by reducing welfare payments.<sup>12</sup> The main changes enacted by the new law consisted in imposing stricter tests for resources,<sup>13</sup> defining the level of welfare benefits based on the social reference indicator (instead of the minimum wage, as before) and transferring the financial burden to the local government authorities by creating the social security fund, 30 per cent of which was made up of money granted from the state budget and 70 per cent of local budget amounts. The consequence of this latter provision was the widening of the gap between the poorer and richer areas of Romania.

Structural reforms also included the health care system. The cost cuts caused 67 hospitals to be shut down in 2011. A draft bill aiming to radically change the health care system was put up for public debate at the beginning of 2012: health care insurance was to be managed by private companies, as in the Netherlands, while the public hospitals were either to be turned into foundations or privatised. The draft bill caused a wave of public disapproval culminating in street protests. As a result, the draft bill was abandoned, but the reform plan was maintained and a new draft health care bill, very similar to the previous one, was tabled for public debate in June 2012.

Another structural reform component included the deregulation of certain administered prices, as well as the privatisation of certain companies. In particular, the deregulation of natural gas prices, which has been delayed for years, is now planned to be gradually introduced from 2013 to 2018.<sup>14</sup>

The precautionary agreement concluded with the IMF to extend the 2009–2011 programme stipulates the privatisation by various means (full sale, sale to a strategic investor, sale of minority interests and so on) of some

10. In 2011, the wages of government employees rose by 15 per cent and a new eight per cent increase is expected in the second half of 2012.

11. The package also provided for a 15 per cent cut in pensions, but the measure was ruled unconstitutional.

12. The government set the objective of reducing social security costs by 0.9 per cent of GDP, basically by stricter control of the eligibility of beneficiaries. It is important to note that Romania is below the European average in this respect: the EU level is around 5 per cent, while in Romania it hardly amounted to 2.9 per cent in 2010. Aceasta idee era cuprinsă și în Strategia privind reforma în domeniul asistenței sociale 2011–2013.

13. Evaluation of the economic resources of a person to determine their eligibility for social welfare.

14. Currently, the prices paid by the general public are regulated by the Romanian Energy Regulatory Authority (ANRE) for social security reasons. The European Commission and the International Monetary Fund asked the government to deregulate prices in order to align them with EU prices.

major Romanian companies, including Oltchim, Cuprumin, Transelectrica, Transgaz, TAROM, Posta Romana and so on. As the government failed to observe the privatisation schedule, at the negotiations of May 2012 with the IMF mission it was agreed as a strategic objective to privatise only six major companies: Hidroelectrica, Nuclearelectrica, Romgaz, Transgaz and the public bids for Tarom and CFR Marfa.

### Crisis Response Policies – From Pretext to Necessity

In order to legitimate its actions, the government resorted to two basic types of argument: ideological and »technical«. The ideological justifications included a set of attacks on the social state, socially assisted people and the interventionist, »obese« state. This line of justification appealed to the widespread frustration existing among the population with regard to the weak performance of the Romanian post-communist state.

The »technical« justification made reference to the requirements of the IMF, the EU and an almost unanimously acknowledged need for reforming some key sectors of the economy and society. Obviously, most of the sectors affected by the austerity measures needed structural reform. The Fiscal Budgetary Liability Law passed in April 2010 improved transparency and defined a set of principles and rules for implementing fiscal policy. However, most of the reforms were aimed at diminishing the welfare state and limiting welfare rights. For instance, the need to modernise and reform the trade union movement was unanimously accepted by society and trade union leaders, but the »structural reforms« only sought to reduce the role of trade unions and limit the rights of employees and breach multiple provisions of the ILO conventions.

The reform of the labour market was also a priority, considering that Romania has one of the lowest occupancy rates in Europe and labour migration is a massive phenomenon, affecting about one-third of the total active population. The authorities motivated the need to improve the flexibility of the labour market by the necessity to make the country more competitive, although the reports assessing Romania's competitiveness<sup>15</sup> did not

mention the rigidity of industrial relations among the major problems, but bureaucracy, corruption, deficient infrastructure and so on.

The welfare system had to be reformed, too: despite the economic growth that preceded the crises and of a higher share of welfare costs in GDP, the quality of life, poverty and social inequality figures saw hardly any improvement. One vulnerability concerns the failure to properly direct welfare funds to the poorest members of the population: while 37 per cent of the non-contributory benefit amounts are directed to the poorest 20 per cent of the population, a significant percentage of the 20 per cent most well-off in Romania receive welfare benefits amounting to almost nine per cent.<sup>16</sup> Even worse, about 11 per cent of individuals in the poorest decile are not covered by any form of social welfare. Therefore, a paradigm shift was necessary, but not the one introduced by the new welfare law, in other words, turning the fight against poverty into a fight against the poor.

However, despite this objective need for reform, many measures in the social field had no actual motivation. The attempts to diminish the welfare state through various actions cannot be justified by any objective necessity or constraint. All the measures aiming to abolish the welfare state started from the assumption that in Romania the welfare state was oversized and that social expenditure was responsible for the economic crisis. However, Eurostat figures show that Romania's social welfare costs do not exceed 15 per cent of GDP, one of the lowest levels in the EU. The same applies to the share of such costs in the state budget. Thus, there is no evidence that the welfare state generated the economic crisis, as was claimed. The attempts to cut social expenditure are likely to produce negative effects, since the absolute poverty rate, which is 4.4 per cent according to the latest information, could reach 36.8 per cent in the absence of social transfers.<sup>17</sup>

15. The Global Competitiveness Report 2010–2011, Klaus Schwab, World Economic Forum.

16. Social welfare reform strategy, 2011–2013.

17. See: <http://www.mmuncii.ro/pub/imagemanager/images/file/Rapoarte--Studii/280111Analiza.pdf>.

## Actors and Driving Forces of the Austerity Measures

The austerity measures and the »structural reforms« were the result of a combination of external constraints (IMF, EU) and the political vision of the predominantly centre-right governing coalition. President Traian Basescu also played a role in the process. It is difficult to determine his involvement in the formulation of austerity policies, but the role he assumed in May 2010, when he announced the austerity plan of the government, although he was not compelled to do so by any legal duty, indicates him as one of the key architects of the austerity policy. The statements of many analysts regarding the influence and even the control that President Basescu had over the PDL and the exceeding of his constitutional authority, the presidential political platform built around the idea of »reforming the state,« and so on point to the President as one of the main actors in the enforcement of austerity.

As for the role of the governing coalition, the most significant contribution to defining the austerity policies was that of the party holding most of the seats in both the government and the Parliament: the Democrat Liberal Party (PDL). A former centre-left party member of the Socialist International, PDL, applied to join the European People's Party in 2005, increasingly positioning itself as a party of conservative doctrine. The public intellectuals with right-wing views who joined the party gave a highly ideological dimension to PDL, as they played a significant role in validating the austerity measures from an ideological perspective.

The IMF played an important role in the recession. The standby agreement for 2009–2011 included certain structural and quantitative requirements meant to ensure the achievement of fiscal targets, the implementation of certain structural reforms, the stability of the financial sector and so on. However, how it attained the objectives defined by the IMF agreement was the responsibility of the government and the governing parties.

It is also important to mention the role that some stakeholders from the private sector had in the formulation of certain austerity measures. For instance, the new Labour Code, which made labour relations more flexible, was not an express requirement of the standby agree-

ment with the IMF. The idea of changing labour regulations came from the Council of Foreign Investors and the American Chamber of Commerce, as the bill was initially drafted by these organisations and subsequently embraced by the government.

The mass media had a range of reactions to the austerity measures. The TV stations and press controlled by members of the opposition parties became the main promoters of austerity criticism. Unfortunately, their critical stands against austerity hardly exceeded the level of simple populist or propaganda slogans and lacked any thorough analysis or proposal of alternative solutions. Other media, in the media groups owned by persons close to the Boc government, actively promoted the austerity measures and supported the decisions of the government in various ways, from carefully selecting the guests on prime-time talk shows to producing news reports and other materials that backed the actions of the government. As for civil society, academia and think tanks, most of them had advocated neoliberal economic policies and measures even before the crisis, including privatisation, tax cuts and so on. As a result, the emergence of an opposition to austerity from this area was unlikely. Truly critical and articulate critical positions did exist, but their impact on public discourse was fairly modest.

## Impact and Consequences of the Austerity Policies

Considering the relatively short time that has passed, it is difficult to accurately quantify the effects of the austerity measures and »structural reforms« on the economy. After two years of negative values, domestic demand increased by 3.2 per cent in 2011. The economy grew by 2.5 per cent in 2011, helped by the unexpectedly high production in agriculture. The population's real purchasing power started to increase at the beginning of 2012, due to a slight rise in salaries and to the modest revival of lending. Nevertheless, the labour market is still negatively affected by the economic crisis. Unemployment reached 7.4 per cent at the end of 2011, higher than immediately before the crisis.

The fiscal consolidation process has mixed consequences. While the budget deficit was reduced to 5.2 per cent of GDP in 2011 from 9.0 per cent in 2009, the public

debt expanded at an unsustainable rate. The risk of fiscal failures, as a result of either populist measures related to the general elections in November 2012 or a decrease in revenues caused by the economic slowdown, is still present.<sup>18</sup>

While austerity had a mixed economic impact, with some positive development with regard to macroeconomic and fiscal indicators, the social impact seems to be fairly negative.

Positive effects on the labour market announced by the reform in 2011, when a new Labour Code was adopted, are not visible. In February 2012, the ILO unemployment rate was similar to February 2011, in other words, before the effective date of the new law. The number of active employees saw only an insignificant increase, if any. In the short run, the negative impact on the labour market is more evident. According to a study conducted by the National Trade Union Bloc (BNS), after the effective date of the Code, the rate of unemployment permanence rose to 58 per cent in 2011, compared to 50 per cent in 2010.<sup>19</sup>

To date, the instability and poverty risk associated with temporary and part-time employment seem to have grown, as the European Union also warned.<sup>20</sup> In 2010, according to Eurostat data, the rate of part-time employees in work at risk of poverty was 50.7 per cent, more than three times higher than for full-time employees (15.1 per cent).<sup>21</sup>

In the absence of statistical data, it is still difficult to assess the impact of the changes in the social welfare regulations and of the 15 per cent cut in the welfare benefits applied in the summer of 2010. Nevertheless, considering that unemployed and inactive people are the most threatened by poverty, we estimate that they will be directly affected by any decrease in welfare benefits. In 2010, the percentage of people at risk of poverty was 45.4 per cent for the unemployed and 29.8 per cent

for inactive persons, compared to the national average of 21.4 per cent.<sup>22</sup> There is one indicator that shows how vital social welfare is for an impoverished population: in 2009, the last year for which such data are available, the level of absolute poverty in Romania was 4.4 per cent. In the absence of any social welfare payments, it would have amounted to no less than 36.8 per cent, in other words, 7.9 million people living in poverty.<sup>23</sup>

We have to mention, however, that in 2010 – the year when salaries and welfare benefits were cut – statistics<sup>24</sup> show a slight decrease in relative poverty compared to 2009: from 22.4 per cent to 21.1 per cent (after payment of welfare benefits). This was possible amidst the economic crisis and after the application of austerity measures because the poverty threshold used as reference in calculating the population at risk of poverty was lowered from EUR 1,297 to EUR 1,222. An even clearer example is offered by Latvia and Estonia, where the median income contracted by 17 per cent and 8 per cent, respectively, which obviously resulted in a decrease of the relative poverty rate. These statistics can be misleading if we ignore the fact that relative poverty figures can decrease without generating additional prosperity.

## Political Consequences and Prospects

The austerity measures were, without any doubt, extremely unpopular. The main political vector of austerity, PDL, declined in the polls from over 35 per cent to around 15 per cent, which reflects people's dissatisfaction with the policy promoted by this party. President Traian Basescu, the advocate of austerity in Romania, experienced a similar decline: 49.9 per cent of Romanians trusted him in January 2009, before the implementation of austerity measures, but only 9.8 per cent in August 2010, three months after the measures had been announced.<sup>25</sup>

In early 2010, before the introduction of austerity measures, 54 per cent of the respondents in a countrywide

18. Although the support of the Romanian authorities for the European Fiscal Compact should minimise these risks and prevent a budget deficit of more than 1.0 per cent of GDP after 2013.

19. *Mobilitatea fortei de munca si aspecte privind incluziunea sociala*. Coordinated by Liviu Voinea. Bucharest, 2012.

20. European Commission (2009), *Growth, Jobs and Social Progress in the EU. A contribution to the evaluation of the social dimension of the Lisbon Strategy* (Brussels).


21. See: <http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tessi250&language=en>

22. See: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tessi124&plugin=1>

23. See: <http://www.mmuncii.ro/pub/imagemanager/images/file/Rapoarte-Studii/280111Analiza.pdf>

24. See: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-12-009/EN/KS-SF-12-009-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-009/EN/KS-SF-12-009-EN.PDF)

25. IMAS poll, September 2010.



poll<sup>26</sup> stated that their life was worse or much worse than in the previous year, much more than in 2009 (31 per cent). In March 2011, the percentage of dissatisfied people rose to 68 per cent. As for Romanians' expectations regarding the government's crisis response policies, the respondents considered that the main priorities for the government should have been the creation of new jobs and raising pensions and wages. The privatisations requested by the IMF were unpopular, too: 64 per cent of respondents were against the privatisation of certain national companies; the higher flexibility of the labour regulations in favour of employers was disapproved of by most Romanians (54 per cent), who do not agree with promoting the interests of the interests of the business community to the detriment of employees (38 per cent favoured such measures).

Despite the growing dissatisfaction, the reaction of society was rather weak. Trade unions attempted to organise some street protests, but their initiatives were plagued by deficient mobilisation. Only in January 2012 did public discontent break out: following a draft bill that actually stipulated the privatisation of the health care system, people took to the streets in 60 localities across the country. The protests finally resulted in a change of government (but not of paradigm) in February 2012. Although heterogeneous, the street protests had a clear anti-system component, rejecting all political parties and demanding a fundamental change in Romanian politics and real democracy. On the other hand, there is a very powerful anti-system trend that does not ask for more democracy, but, on the contrary, favours the idea of an authoritarian leader. A radical political party of this kind, Dan Diaconescu People's Party, was registered in the fall of 2011 and now gets ten per cent to 14 per cent in voting preference polls.

A new government formed by social democrats, liberals and conservatives came to power in May. The ideological diversity of the new cabinet, as well as the precautionary agreement with the IMF, make it difficult to predict whether we are facing a shift in the economic paradigm.

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26. See: <http://www.curs.ro/images/pdf/omnibus%20curs%20march%202011.pdf>





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The macroeconomic analysis in this report was provided by Laurian Lungu.

## Imprint

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