REGIONAL DISPARITIES – HISTORICAL CULTURAL INFLUENCES AND REGIONAL DEVELOPMENT IN ROMANIA

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Abstract
In recent decades, the issue of regional disparities has become a highly debated topic, knowledge regarding regional disparities being a matter of political priority as their persistence hinders the appropriate integration process. On the other hand, emphasis was put on integration through the process of EU enlargement, thus highlighting other issues related to the nature and size of disparities. Regional disparities regarding development and the living standards of the population have long been the concern of all Member States. In the case of Romania, recently admitted into the European structures, registering large backlogs to economically developed countries, the intense mobilization of internal and external factors of economic growth in order to reduce and eliminate disparities compared to other countries, represents a clear necessity.

The "European Union" (EU) project is of an unprecedented complexity and scale because it involves a plurality of states, which are culturally and economically heterogeneous. Moreover, these economic and cultural differences exist even within the states. Hence, there is also the central idea of the Union, regarding unity in diversity. In Romania the local, regional communities have a strong identity, but still evolving. Taking into account Romania's objective of successfully integrating into European structures, and the principles of democratic decision-making requires that regional development should aim at reducing economic and social disparities based on a notable involvement of the local, regional communities.

Based on these facts, the paper aims to present the current regional (and intra-regional) disparities in Romania with regard to a number of synthetic indicators of capital, of labor and of outcomes. The persistence in time of these economic disparities can be explained by considering the cultural legacies – represented by norms, values, institutions, that impact on how people interact, communicate, investigate, think, consult, negotiate and act, influencing the behavior at community / society level.

Key words: regional development, regional disparities, the cultural factor, geographical history

JEL Classification: R11, R12, D03, E02

1. Introduction

Our paper takes has as starting point the idea that the present regional science as a whole, is found to be in a stage of reflection and assessment according to different perspectives. The development of theory, techniques and research tools, the major changes occurred on the “map” of the economy, the emergence of specific issues, quite new in the field of regional policy represent the support for many areas of analysis, the transformations undergone by the new Europe involving changes of geopolitical, economic, social, and cultural nature and hence a shift in the scientific research.

Among the current concerns we can identify the regional dimension of the European integration processes, involving new models of institutions and of regional development funding, increased complexity in addressing regional competition and competitiveness, regional networks, trans-border cooperation etc. The literature in the field explains the existence of disparities by referring to the presence of concentration trends (agglomeration) due to the manifestation of the regions’ external factors (such as the phenomenon of globalization, or the integration processes of companies and even of nation-states), but also of domestic, more local factors (clustering, the occurrence of growth poles / development poles, the involvement of local administrative forms in various aspects of the economic life, etc.). In these circumstances, the disparities are the result of differentiated endowment with production factors (natural and human resources) as well as differentiated ways regarding the development of these
structures in terms of economic, technical, demographic, social, political and cultural factors, which have shaped development over time.

Basically, economic performance is associated with efficient resource allocation, leading to visible outcomes stressing economic performance - the amount of goods and services produced within a certain period of time with a certain amount of resources. The economic activity includes above all the relations of production, exchange and consumption of goods, involving - at a deeper level - interactions with other individuals, the coordination of human activity being basically a social problem, referring to how people’s behaviors are interrelated, thus being so closely linked to the social order in general. If sociologists consider the individual’s behavior as largely determined by social and cultural norms transmitted through the socialization process, the economists - followers of the rational choice theory - stress the rational and voluntary character of behavior. Recently, however, the two theories have found common ground, considering that ideological factors, psychological, social and political factors are decisive for the effective coordination of activities and thereby for the economic performance. We consider that this coordination is defined by the institutional matrix integrated into society’s structure, the institutions providing a means of reducing the uncertainty associated environmental issues, allowing the formation of valid expectations relating to future actions of agents by providing implicit information about the likely behavior of others, behavior which is substantially influenced by habits, rules and regulations that limit somewhat the activity range of the individual.

The first part of the paper tries to explain the maintenance of inter-regional disparities by considering behaviors based on historical legacies, depending on the social status of the population, on traditions, on ways to establish interpersonal relationships and respectively relations with the authorities in power, stressing that the cultural factors - represented by norms and values - have a considerable impact on how people interact, communicate, investigate, think, consult, negotiate, and act - thus being able to establish the link between culture and economic performance. The existence of a strong regional culture based on historical, geographical, political, economic or cultural factors, has a significant impact also on the economic behavior.

The second part of the paper aims to identify the inequalities that are reflected from the level of development of each region, a level which is indicated including by the capacity to attract foreign direct investments. Our analysis considers the regions classified according to the NUTS system (II and III) and the disparities highlighted refer to the GDP / capita, labor productivity and the employment of labor resources. This analysis is performed starting from 1998 (after the official establishment of the development regions and the registering of statistical data at this level) and until 2012 (due to lack of official unitary statistical data).

2. The history of territorial administrative structures in Romania

Regarding the territorial sections which were analyzed, the paper takes into account the current administrative-territorial division, however, the approach also considers the historical perspective. A swift analysis of the many regimes that alternated to power, clearly indicates that one of the main objectives was the pursuit of achieving better links between the different regions of the country, between the central and local governments, aiming at a better alignment of central decisions in relation to the potential and needs of local communities (Boldea et al., 2012). [2] One of the differences that influenced the response of the regions to central government organization, inducing further the different development of the regions, was the cohabitation of Romanians with populations of other nationalities in territories administered by various imperial capitals, so that the population in these regions developed totally different conceptions regarding administration. It can easily be observed that the evolution of the administrative-territorial organization of Romania during the interwar period is a reflection of two contradictory tendencies, corresponding to the two political trends promoted by the parties that alternated to government office: one aiming towards centralization, promoted by the liberals, based on suppressing the local autonomy and on overlooking the historical provinces, and another aiming towards regionalization, supported by the Peasant Party, followers of unity in diversity, focusing on macro-regions that would overlap the historical provinces and which would have a wide local autonomy. But neither the followers of centralization, nor those of regionalization were able to put forward and set up new administrative units, limiting their input to regional clippings put together by aggregating already existing counties. Later - once the Soviet model was introduced - their configuration did not resemble at all the former counties, relying mostly on the former natural barriers represented by the Danube and the Carpathians, but it was also based on subordinating agricultural regions to larger urban centers, thus accomplishing integrated agro-industrial compounds. The changes that followed only caused imbalances leading to failures or malfunctions occurring at macro-territorial level; the organization proper to the early 70s was characterized by high fragmentation, the trend showing a return to the prewar administrative structures.

The regionalization of the territory determined by the different development of spatial economic structures is reflected by the practical objectives linked to the need to find the most appropriate spatial frameworks to guide the economic development processes.
The criteria by which the regions were constituted are of economic, social, political, historical, and ethnic nature. Romania has dealt with regionalization along the history. We consider the historical provinces, these reflecting over the centuries a strong unity manifested through language, culture and religion (Malita, 2010: 96-114).[14]

Related to religion we can identify a unity among the population in the different historical provinces, but it should be noted that within the Carpathians Catholicism was prevailing while Orthodoxy was common to the majority in the rest of the country. Once the Communists seized power, the only officially recognized church was the Orthodox one (probably because it was of Soviet influence). This had negative repercussions have been acknowledged during the 90’s, but also recently, when the goods confiscated by the communists were re-ceded.

We must keep in mind that in Romania the industrial revolution began much later than in other European countries, so that the gaps were larger compared to the western countries, but there were important differences also among the national regions. Also, the interwar period cannot be regarded as the time when these gaps were recovered (Romania managed to shift from a mainly agrarian country to an agrarian-industrial country, while capitalist countries had an industrial economy).[18]

During communism in Romania were made many decisions regarding the development of various areas of the country, in order to reduce and eliminate economic and social disparities. The country’s arrangement in 1968 which reflected territorial administrative units can be said to have had a clear purpose to facilitate the intensification of mass control, but it was also pursued the development of all counties. If during the interwar period we can consider that the development of each region was based on their potential, following the decision of massive industrialization (based mainly on the heavy industry, on metallurgy) the autarkic development of each region increased. [19] Thus, given the conditions of the abolition of the Council for Mutual Economic Assistance the Romanian products had to deal directly with products of superior quality in the world market. There was a very low demand which in terms of the market economy meant a clear reduction in supply.

Following the year 1990 the EU has pursued the implementation of the principle of subsidiarity by proposing regionalization for the distribution of power at primary levels. In 1997 the Green Paper on regional development was published, being developed by a Danish company (Rambol) specialized in the issues of decentralization. The country’s territory was too fragmented and the administrative units were too small to act as a channel for attracting pre-accession funds. Eight regions for development were proposed, which could later have turned into territorial units in the regionalization of the country. Interesting to note would be these regions overlap to some extent the historical regions (Muntenia, Oltenia, Dobrogea, Banat, Crisana and Transylvania, Moldavia, Maramures, Bucovina - to mention those which are also currently appointed in Romania) of the prewar period (names that are also found in the interwar period). These regions formed the historical provinces (Wallachia – including the historical regions of Dobrogea, Muntenia, Oltenia; Moldova – including Moldova and Bucovina (the Romanian part); Transylvania - including Maramures, Crisana, Ardeal and Banat) which by union formed Romania. Thus, some regions mapped in 1997 received historical designation (e.g. Region South, South-West Oltenia). Problems arose immediately because their status was unclear; they were no extension of the government, and they were not even nonprofit organizations. Eventually, the county seats were these offices of these agencies gained the most. They failed to act as poles for attracting EU funds and divide them in a balanced way in the Agency’s territory so that the socio-economic effects were felt throughout Romania.[15]

The Romanian economic system was inefficient. In 2002, the European authorities have acknowledged that the regional planning failed (there was no correlation between the local, regional and national planning) (Gallagher, 2010: 68). [7] The present configuration, following the general trends implemented across Europe, reflects the need to shift towards an administrative system of regional type by setting up territorial structures based on the historical provinces and on the centers of polarization having regional functions.

3. Regional disparities and the influence of the cultural factor

At regional level, and especially at national level, the cultural factor interferes with the development of society through the established institutions. Analyzing the rational behavior of the individual Veblen tried to introduce the concept of institution, noting that human behavior is largely influenced by the norms, rules, habits which significantly limit - directly or indirectly - the individual’s options regarding action. Of course, understanding the individual’s behavior leads to understanding the emergence, development and impact of institutions. North emphasizes the role of institutions in the working of the economic mechanism, claiming that they have a role in shaping preferences and in determining the level of transaction costs (North, 1995), while Coase argued that the institutions of a country (the legal system, political system, social system, education and culture) are those governing the performance of an economy.

Human behavior is shaped by social and cultural norms both at the level of perception and at the level of decision, people’s needs being highly induced by society, their options being conditioned by the social and cultural context in which they live (Ekkhart, 1998). On the other hand, people’s manner of action is largely determined by their experiences – ways of perceiving values and of establishing preferences, ways of decision-making and acting
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– stable habits of thought common to most people (Veblen) mental models (North 1995) or the software of the mind (Hofstede, 1994). These mental models are influenced by the national culture of people and also by the organizational culture - both of them playing an important role in the functioning of an organization in particular and of the country’s economy in general; basically though much of these habits of thinking, feeling and potential acting, although learned throughout one’s life, are internalized at a very early age, taken from the environment in which the individual is born into and educated in, respectively in which they gather their life experiences. This “mental programming” begins in the family, by assimilating the patterns of behavior observed by the members of the family in the presence of whom the individual grows up, and then it continues at school, in the work settings, and later on developed within the community to which the individual belongs and where he/she is integrated and develops his/her activity.

Culture is below the level of awareness, but it influences and supports the undergone actions; it is set up by people, confirmed by others, stylized, and transferred to the young (or newcomers) in order to be learned, culture representing the means by which people “communicate, perpetuate and develop their knowledge about their attitude towards life”. Culture is an “intertwining of meanings of how individuals interpret their experience and guide their actions” (Geertz, 1973). Hofstede follows the same idea, considering culture as a common system of meanings, dictating where to direct our attention, how to act and what to value, culture thus organizing the values in what the researcher calls “mental programs” (Hofstede, 1988).

We should also note the benchmarks of the intercultural history of some regions that later had significant social and economic implications. A study of the bordering regions in general emphasizes the idea that the historical geography cannot be ignored, as it is exactly the one indicating the benchmarks of civilizations, showing how the historical and social circumstances of ages that generated multiple interfering cultures is due precisely to the geographical position, which either enforced spatial constraints or encouraged openness, and therefore the circulation of ideas and people and cultural products of civilization, from ancient times to the present.

Applying the principle of social determinism (Drăghicescu, 1996) and analyzing the Romanian historical provinces - Moldova, Transylvania, Wallachia – we can notice the differences that can be attributed to cultural history, to ethnic and religious structure, as well as the influences stemming from the neighboring nations, which belonged to different cultures, these cultural differences influencing people’s behavior, bearing the imprint of the cultural environment they live in, behavior that is perceptible in how individuals face everyday problems. A study performed by the UAIC University in Iasi (Niculaeaei, Tatarusanu, 2008) identified differences at regional level, which confirmed the assumptions grounded by the socio-historical factors, the ethnic structure, the religion, the relations established with the neighboring nations, the study mostly setting the meaning and the magnitude of these differences. Thus, there can be observed cultural similarities between Moldova and Wallachia (based on the values recorded on the dimensions of power distance, the degree of individualism and the degree of uncertainty avoidance, as well as on the degree of masculinity) between Wallachia and Transylvania (based on the degree of indulgence and monumentalism). Significant differences can be observed between Wallachia and Moldova, on one hand, and Transylvania, on the other hand, regarding the degree of uncertainty avoidance, respectively between Moldova, on one hand, and the Wallachia and Transylvania, on the other hand, regarding the degree of indulgence and monumentalism. The existence of a strong regional culture based on historical, geographical, political, economic, cultural factors, shows later an impact on the economic behavior or on the organizational behavior.

The dimensions of national culture (Hofstede, 2010) represent the cultural essence of a relatively homogeneous population in terms of the social system. The variables defined by Hofstede do not only have descriptive value, there can be also noticed a correlation between the power distance and income distribution inequality, between individualism and income per capita, between masculinity and the assistance for poor countries, between uncertainty avoidance and the dominant religion.

Applying Hofstede's analysis system for the case of Romania shows by the values of the cultural dimension the precarious level of the economic development compared to the other European countries; the cultural variables determined by Hofstede for Romania indicate a cultural model which does not cater for good governance, and thus neither for a high level of economic development. The cultural variables that have an impact on administration registers values that are associated with a reduced quality thereof; the power distance is very high, reflecting the difficulty of cooperation, social stratification (no middle class), the lack of equal opportunities, preference for authoritarian relationships and not participative ones, all of which constitute a major impediment to good governance in Romania. The low degree of individualism is also an impediment in this regard. As regards the other two dimensions, their influence is significantly lower than in the case of the first two.

4. The analysis of economic disparities at regional and intra-regional level
In recent decades, the issue of regional disparities has become a highly debated topic, knowledge regarding regional disparities being a matter of political priority as their persistence hinders the appropriate integration process. Most often, when dealing with the issue of disparities, there is the tendency to make reference to the differences in income levels by offering answers about the economic growth processes and trends at regional level.

Among the regions in our country there are inequalities regarding the level of development as some more developed regions attract large amounts of capital and highly skilled labor at the expense of the less developed regions.

![Pie chart of foreign direct investment in Romania at regional level, 2013](source: www.bnro.ro)

Foreign investment in Romania were mainly driven by the areas’ availability and potential as well, and the mentality of the business people and tradition in the respective field. Regarding geography, foreign capital was channeled primarily towards Bucharest Ilfov, other development regions benefiting from significant flows being Region Centre, Region South Muntenia and Region West. The Bucharest Ilfov region attracted over 60% of the total FDI (Fig. no 1). The Western part and the North-Western part of the country reflect a relatively high share of foreign capital, amid perpetuating the traditional exchange and regional behavior which is continually adapting to the international business environment.

The indicators analyzed in this part of the work are tied to the economic potential of the regions, based on the results in terms of employment and economic activities. The effect of economic growth and development has the indicator GDP / capita. In Fig. no. 2 shows the CPC GDP per capita at regional and intraregional in Romania.

In terms of the GDP / capita, Region West comes second at national level, only the Bucharest Ilfov region precedes it. The next in line is the Central Region and the North Western region. In contrast, reflecting the lowest GDP/ capita there is the North East Region, the South West Oltenia Region, South East Region and South Muntenia. The counties with a low level of development are located in the western part of Moldova, from Suceava (North-East) to Vrancea (South East), continuing with the southern part of Buzau (South East) and Vâlcea, Mehedinti (South West Oltenia). The highest level of development is registered in Transylvania (including here Sibiu, Brasov - region Centre – and Cluj – the North West region), Banat (Timis, region West) and in the south of the country, namely the Bucharest Ilfov region.
The most developed historical regions of the country are Transylvania and Banat opposing Wallachia, Moldova and Oltenia. It must not be overlooked that, within the latter regions there are counties such as Iasi, Galati, Prahova, Arges highly developed compared to some counties in Transylvania, such as Salaj, Bistrita - Nasaud, Covasna, Harghita.

As regards the average growth rate of the GDP per capita (Fig. no. 3) we can state that the more developed counties and regions were also found to record average growth rates of the GDP per capita which were higher than those registered by the less developed regions.
The development of a region can be measured by ex post indicators, i.e. the indicators that quantify the performance of an economy such as the GDP, the GDP per capita, the annual growth rate of the GDP, labor productivity, the employment rate.

The highest productivity was registered in the Bucharest Ilfov region, and the lowest in the North-East region. During the analyzed period the average level of labor productivity was exceeded only in the case of two of the 8 regions of development. Only the regions Bucharest Ilfov and West recorded higher values than the national average, being considered to be among the most dynamic regions.

At intra-regional level we note that of the 42 counties only 10 exceed the national average: the regions Bucharest and Ilfov (Bucharest Ilfov), Cluj (North West), Sibiu, Brasov (Centre), Constanta (South East), Prahova (South Muntenia), Gorj (South West Oltenia), Timis (West). The group of the counties registering below average performance is much larger, being found at the bottom of the ranking, including here the counties in Moldova, Oltenia and the South of the country (Botosani, Vaslui, Neamt (North East), Teleorman (South Muntenia), Vrancea (South East), Mehedinti (South West Oltenia). To note that three counties facing this situation are integrative part of the North East region.
The regions which registered the highest average growth rate of labor productivity are Bucharest Ilfov and Region West, actually the only regions that exceeded the average level of labor productivity. The lowest growth rate was recorded in the South East Region due to the Vrancea county which registers one of the lowest average growth rates of labor productivity.

Comparing the average growth rate of the GDP to the one of labor productivity for the period 1998-2012 we note that in the majority of regions the productivity growth rate exceeds the growth rate of the GDP except for the case of Bucharest-Ilfov region, and, accordingly, the regions West and North West register about equal values for both growth rates.

In addition to labor productivity, another factor that influences GDP per capita is the employment of labor resources (considered an extensive factor of economic growth).
It should be noted that, among the eight regions of development, four of them recorded an employment rate which was higher than the national average (the regions Bucharest Ilfov, West, North West and Centre). The counties that recorded the highest employment rates are Bucharest, Timis, Cluj, Arad, Ilfov, Bihor. The counties of Caras-Severin and Hunedoara reflected an employment rate below the national average due to the unfavorable development of these areas’ specific economic activities. It should be noted that the other two counties of the region West recorded values which were found to be higher than the national average. The counties of Arad and Timisoara have registered an important development compared to the other two integrative counties Caras-Severin and Hunedoara, counties which are geographically located in areas which are disadvantaged due to the industrial restructuring.

The North East region including the counties Botosani, Neamt and Suceava are placed last in all almost all rankings, being some of the most underdeveloped counties in Romania. In this region the counties of Iasi and Bacau recorded an economic performance close to the national average in terms of the GDP per capita and labor productivity, but regarding the employment of labor resources Bacau County comes last alongside Galati, except for Constanta county which recorded superior results in the case of all the analyzed indicators, being actually the only developed county in the South-East region, all other counties being found at the bottom of the rankings.

We can state that the regions located in the North-East and South are less developed than those in the West and North-West, except for the Bucharest-Ilfov region, including Bucharest which tops all charts. These differences are due to factors such as:

- The geographical position. According to this factor, the less developed regions are the ones bordering Ukraine, the Republic of Moldova and the ones located along the Danube, and respectively the most developed regions are the ones located in the proximity of Western markets, their geographical position being exactly the one favoring certain openings, respectively the different development of these regions. The geographical factor plays an important role in making decisions regarding locating economic objectives, and the effort required to build the infrastructure for transport and communication was very different from one country (region) to another, which partly explains the very different results in this field. The geographical factor has also been found to influence the economic development considering the abundance or scarcity of natural resources.
- FDI location and the specifics of the region (namely the economic structure). The North Eastern part and the Southern part of the country are characterized by predominant agricultural activities, and the ability of these regions to attract foreign direct investment is lower due to both an unfavorable geographic positions, and hence their dependence on the primary sector, and their management skills which are inferior to those of western part and the central part of the country;
- The skilled workforce, the proximity to markets and raw material sources, as well as the low absorption of structural funds at regional level.

Looking back all these factors have a common factor related and cultural - history. We know that in Transylvania and Banat there is a rich cultural tradition, are regions with large ethnic variety. In these regions there is a centuries of experience (in medieval times) on work organization with significant effect on its quality, but also to make it easier to compete (we consider exemplary organization of craftsmen guilds, including defending cities, things visible today in the settlements in the area). During communist and post-communist foreign ethnic returned to their home countries (mainly referring Saxon), but investments from those countries were headed for Romania.

Another advantage is linked historically important institution of property. In Transylvania, unlike the lands outside the Carpathian arch, land is well organized from the interwar period.

5. Conclusions

Increase / economic development in general and regional development in particular, is based on a number of factors directly influence (natural, human and material) easier to quantify and analyze plus other factors whose influence is difficult to measure such as cultural factor - history. For a better understanding of existing regional disparities in Romania should be taken into account different cultures and behaviors, including historical perspective, to find a reflection of previous experiences in the present reality.

The cultural factor, represented by norms, values and institutions, had a major influence in the development of asymmetrical historical provinces. Although lately it aimed to achieve a unitary development of Romania (it can be appreciated that this was pursued and periada communist, even if the embodiment seems to be self-sufficient, which did not take account of the region, resources available) observed that a number of economic and social disparities remain at regional level. This highlights the importance of regional analyzes in the context of broader national economic development, given that the growth / economic development has the effect of improving people's lives end at the individual and society as a whole.

Surely there is another component of the cultural factor (customs, traditions specific to each region), but should be seen as an enhancer factor for the development of the region. Moreover, the Romanian historical
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7. Bibliography