

## THE RESTRUCTURATION – AN AMENDING PROCESS OF THE ECONOMIC SYSTEM

**ENESCU MARIA**

ASSISTANT PROFESSOR PH.D., FACULTY OF ECONOMY AND BUSINESS  
ADMINISTRATION, UNIVERSITY OF CRAIOVA, CRAIOVA, ROMANIA,  
*enescu.maria@yahoo.com*

**ENESCU MARIAN**

ASSISTANT PROFESSOR PH.D., FACULTY OF ECONOMY AND BUSINESS  
ADMINISTRATION, UNIVERSITY OF CRAIOVA, CRAIOVA, ROMANIA,  
*enescu.marian@yahoo.com*

### **Abstract:**

*The process of adapting the economic structures must take into account the worldwide requirements and trends, especially because in all countries are being made great efforts for profound structural changes in technologies, production, organization system, qualification of personnel and information system domain. The experience of advanced countries has proved many times that the economic crisis cannot be over-passed, and the effects of the crisis cannot be removed, without important technological changes, without improvements to the production apparatus, without modernization of products and marketing systems and, generally speaking, without an adjustment of the economic structures to the new requirements of the markets for raw materials and of distribution.*

**Key words:** restructuration, economic structures, national economy, economic development, economic efficiency

**JEL classification:** L 16, O 12

### **1. Introduction**

In the meanings given to the restructuration term we should start from the notion of structure. An aspect not to be overlooked is constitutes by the dynamic of structures, general laws that govern the movement, transformation and their self-regulation. The dynamic aspect is interesting in particular for the analysis of large systems, as the economic system. Appearing initially as a lot of elements, by showing the relationships between them, the structure should be regarded as a system of relations that lead to achieving the global objective of the system (Iancu A. (coord.), 1986, p.20). On the basis of general laws, an element (or more) may be subject to transformations, which drives the changes on other elements level too. The modification of relationships between elements within a period leads to modification of the structure. The authentic development is an endogenous process, determined by the action of the internal forces of a company and which can be stimulated or slowed-down, but not determined from exterior. The best framework for development is the national economy when it is directed towards creating a national economic complex. The development must be driven by internal needs and possibilities, it must be based on decisions taken within the country and at one's own effort.

By the national economic complex is designated a coherent assembly in which the economic activities are integrated both horizontally and vertically in a space unitary organized in rapport of trade, money, finance, which has the necessary capacity to establish the development priorities, based on their own criteria of economic efficiency and is capable of self-centered and self-sustaining development.

Not incidentally, more often, currently is claimed that the economic structures are primarily involved in the current global crisis, and this is in fact a violent crisis of the structures. Solving the major problems that mankind is facing today - weather is about underdevelopment or food, energy, environmental, currency problems, etc. - is conditioned by overcoming the structures crisis. The contemporary economic structures are subjected to increasingly higher tensions. Facing an economic structures crisis raises numerous problems. What are the factors and mechanisms of structural changes? What fundamental correlations characterize the economic structures? What are the main pathological manifestations of the economic structures? At least, from here it occurs the immediate necessity for a complex, stringent and fundamental theory of the economic structures.

It is known that the phenomenon of economic growth (AGB Fisher 1939, p.24-38) and in particular, the one of the economic development appears inextricably linked, in the modern era, by a complex of structural changes which are taking place not only at the level of inter-sectorial relations, but also in the frame of different economic sectors.

## 2. The restructuring - process of changing the economic system

The restructuring is the process of modification of the economic system, respectively of all structures that determine its existence and operation: of economic activities structures, of structures from point of view of economic agents, of economic operations and areas of activity, of institutional framework, of control structures, etc. In the economic theory, after lengthy controversy began in the early postwar years - and still unfinished - there are several definitions, static and descriptive, ontological and econometrical, cybernetic definitions etc.

We consider, therefore, not only the static form of economy, but also its operation, which is fundamentally relational. Therefore, to make from the economic analysis, as from the prospect of its development, an operational tool, I would suggest a dual approach to restructuring, giving it on one hand, an "acceptance in the broad sense" and, on the other hand, an "acceptance in the narrow sense".

More broadly, the restructuring would represent the mutations assembly in economic system, from the structure of enterprise to the national economy structure, from the structure of production, consumption and distribution to the financial, budgeting, institutional structures, etc. Accordingly, the mutations assembly from the economic system in the phase of radical transformation from all spheres of political and social life, is aimed at not only to reforming the economic system, but also to changing the behaviour, attitudes and habits, mutations involved by the inherent integration of the economy in the evolution of society in general. Moreover, in the lately economic literature is established the term of systemic reform that includes the refurbishment and modernization of economy branches, the reorientation of economic activities, and the development of new institutions for economic governance, not necessarily governmental, but reorganization of economic units, restructuring of decisions system of economic agents as of financial, banking system, etc. (I.N.C.E. Costin C. Kirişescu 1991, p.38)

On the other hand, if we admit that the economic structure can be assimilated with the exogenous phenomena assembly against "pure economic mechanisms" (e.g. law of prices versus the mechanisms to automatically determine prices), then the restructuring is related to the actions at micro and macro level. This would be the "narrow sense" of the term restructuring, resulting from the special significance attributed to the structure as assembly of relationships that characterize the economy in time and space. The area of the restructuring would circumscribe mainly to the actions and interactions intervening in the operation of economic system, the structures becoming not only places of evolution in time of the national economy, but also action spaces organized by the economic agents.

If we take into account the lag between Romania and other developed countries regarding the level of development and the technological one, it is clear that the burden on the change and the modernization line is bigger and heavier for our country, but fully achievable. It requires a prerequisite: to accompany the human and material effort planned in the development strategies by a greater concern, supported on the line of promoting new elements of the economic mechanism, that will accompany and will support the policy of adaptation of economic structures, based on criteria of economic efficiency and assessed according to the real possibilities of the national economy and the developments of world economy. To the same end, there is a need for adequate adaptation of organizational, legal and behavioral structures of the people. They should fully meet the needs of giving an increased mobility to economic structures of our country, and to harmonize them with the structures of older member states of the European Union.

The operation and simultaneously the transformation of economy involve a special interdependence between structures and behaviours. Thus exceeding the conception of the physical structure of the economy, the restructuring could be addressed through the intervention of economic agents also. The economic activities are not carried out spontaneously, but under the action and control of the economic entities who guides and directs them through decisions intended to meet certain efficiency requirements, cost effectiveness, profit requirements, etc. The operation and transformation of economic structures reveals the interdependence between structures and behaviours. When the structures are real, they can be considered behaviours - especially interrelations behaviours. When the structures are objectives to be achieved, they are imposed to economic agents, acting on behaviours and not identifying with them.

During the transition to market economy is necessary, in the opinion of most experts, the restructuring of economic mechanisms simultaneously with the legislative and administrative restructuring. Any delay in the economic and financial restructuring process will bring huge prejudices from at least two reasons: on one hand the international competition tightens and on the other hand the generated adverse selection will cause further structural distortions (and therefore additional restructuring costs).

The structure of national economies experienced an evolutionary process that is characterized by a lot of particularities and, therefore, there is no ideal structure, a general model valid to be adopted. This structure was formed in time, considering certain specific conditions, under the influence of certain factors that can be endogenous and exogenous. In the category of endogenous factors are falling the concrete country-specific conditions, which used properly provide the basis for a harmonious development. The exogenous factors must not have an excessive influence to not cause deformed structures, inconsistent with the national interest. In conditions when in a specific international context is respected the sovereign right of each state to set its own economic priorities through the development of international cooperation, their role can be improved and they can support the occurrence of favorable conditions for creation of harmonious national economic structures.

The global economy evolution and its accompanying structural change involves three series of events that

causes three structural changes in the economies of the member states: first series of events relates to moving the location of economic activities from one area to another; the second concerns the rise and fall of economic sectors; the third is related to closer integration of national economies and to the impact of external forces on the welfare (R. Gilpin, 1999, p.142).

For our economy, currently it raises the problem of deep and expanded structural changes: faster development of agriculture in order to increase the production of agricultural raw materials for industry, improving the structure of industrial branches and sub-branches, by developing especially the industries with low energy consumptions, with high value products etc., introduction of new technologies and new products with superior performances, which will reduce the consumption of energy resources and raw materials shortages, will contribute to raising the labor productivity and will have a higher degree of safety in operation. Changing certain structures entail necessarily the change in different proportions of other structures and, therefore, it is very important the concrete and correlate analysis of the structures, of all components, their change and their transformation, for the consideration of their entire complexity in the decision acts regarding the economic structures. Also, in relation to structural improvements, it raises the question of harmonizing them with the trends and requirements of the global economy, particularly on the line of assimilation of technical progress at an appropriate rhythm to the foreign market requests, as well on ensuring the supply sources for fuel and raw materials and on manufactured goods market opportunities. Naturally, in addition to the requirement to ensure the technical level and quality of products offered for export, it also raises the issue of actions for permanentization and stabilization of trade relations and cooperation in the line of production, supply and sales by making direct investments in joint ventures in the national or in other countries territory, in terms of ensuring mutual benefits and political and economic interdependence of the country.

The adaptation of production, technological and organizational structures to the new requirements must be actively supported by economic structures and legislative mechanism structures. It may remain mere goals the attempts to adapt the production, the technologies, professional bodies etc., if all other structures remain unchanged.

Modeling the economy structure must be made depending on the structure and the volume of resources, as their degree of availability. The training and development process of the branches starts primarily from the concrete realities and real possibilities offered by the own natural resources, by the evolution of elements component of production factors, by easily affordable resources in advantageous international trade frame. Any new productive force, insofar as it is not a simple quantitative expansion of productive forces already known, can cause a structural change or a new development of division of labor.

The structure of the national economy in its transition process, is constantly subject to changing factors, so realistic and sustainable solutions cannot be developed without profound changes, both conceptual and categorial, in the structures of economic thought. Because the notion of structure and economic development are closely linked, the latter being defined and explained just by changing certain structural features, it appears the need of a theory to speed up the solving of practical problems, of restructurations which are truly realistic and necessary for the economic development. It is therefore about a revolution in the theory structures and economic practice, including the structures of the global economy.

Manifesting itself in a specific manner from one country to another, the structural changes leading to changing level of macroeconomic specialization generally have in common the pronounced intensity for development of process at the level of whole industry and some of its component branches, with notable influence on other economic activity areas.

Therefore, the structural changes are, by their very nature, fundamental for the considered assembly (A. Iancu & collective, 1986). Moreover, if the macro-structure represented from a certain point of view through the ratio of national economic sectors offers a quantitative view of their participation in achieving the economic growth, the mezostructure being the one which has the ability to stimulate the economic growth.

In the meaning given to restructuration "in narrow sense" as set of actions at all levels of the economy, the economic structures as objectives involve the actions and reactions of economic agents which, through a complex network of links can contribute to the statutory, continuously, quicker or slower transformation of the economic structures. From assessment of economic structures, of each of them and the correlations between them, can be deduced the type and size of actions of economic agents, by focusing on the operational component of the restructuration process, addressed as the assembly of the micro and macroeconomic actions. Emphasizing this approach is necessary since in conditions of an acute need for essential changes, for modernization of our economy, the restructuration can be addressed only as a conscious process. Privileging this functional analysis can have a range of appropriate motivations also. The economic history and the fact situation of countries with market economies shows that the economy operates and develops as a result of both the objective mechanisms („the invisible hand") and the elaborated mechanisms („the visible hand") and the actions of economic agents, generated by the decisions and behaviours at micro and macroeconomic level.

In terms of restructuration as a set of actions at micro and macroeconomic level, I believe that in establishing measures and economic policies would be beneficial to favor the changing of economic, financial and institutional structures, on one hand to create markets (for goods and services, labor, capital etc.) and on the other hand, for the development of new instruments for economic policy.

As a summary of the exposed theme, the restructuration means new proportions in the real and monetary economy, the systematic reformation of the microeconomic environment and creation of new macroeconomic tools for solving problems of national vocation, of global issues beyond the horizon and the micro-units possibilities; and to influence their behaviour in favor of structural changes (I.N.C.E. Costin C. Kirişescu 1991, p.42).

The restructuration must not be understood solely as a requirement of the current period, but as a necessity for the overall development of the economy. It involves not only correcting a distorted structure by an irrational super-centralization, but permanent adaptation of structure to the economic environment changes. If the structure is a state, the restructuration is a process and, therefore, it requires a dynamic vision approach, taking into account the time and cost factors. It should be considered that if nothing is done in time for the formation of the structures appropriate to desirable trends, the social costs can be very high. However, it should be noted that these structures cannot be formed anymore through a remote controlled system, they are formed through all processes currently taking place in society.

If in the developing countries the economic growth is achieved mainly through higher consumption of the fix capital, of investment funds, of raw materials and energy, which has the effect of reducing specific consumption of labor force, in developed countries, which have a high scientific and technological potential, the focus is particularly on reducing energy-intensively and material-intensively. The structural changes are of special importance in terms of driven resources and their consumption. While the development of the secondary sector involves large increases in consumption of raw materials and energy, in the need for investment and skilled labor, developing the tertiary sector and especially of the quaternary relax more the consumption of energy resources and raw materials, and calls for a larger volume of scientific and technological creation, which positively influence the raising of efficiency of resource consumption.

Currently, in Western countries, due to increase of the level of technical endowment and the efficient use of energetic resources in agriculture and services, under the impact of industrial development, there is a tendency of closeness between the economic sectors, regarding the level of labor productivity. The evolution of the ratio between the industry and agriculture, the one between the non-agricultural sectors and agriculture in general, has implications not only on the efficiency of using various resources, but also, more generally, on some basic components of quality of life, as the size of income, the level and structure of individual consumption, food and non-food consumption, the degree of providing the necessities in health services, education and cultural and the cost of those services, environmental quality and pollution levels, etc. This manner of approach, in which the changing of ratio between agriculture and other sectors is studied through the impact on life quality components, reveals another dimension of the agricultural sector that its importance is much greater than that resulting from the analysis of the direct contribution to the achievement of social production and economic growth.

In Romania the economic branches and sectors were ranked artificially, which had repercussions in various areas of economic life: investments orientation and technical endowment, amortization, wages, workforce training, delivery prices, lending policy, supply of raw materials and energy in the country and in foreign markets, the distribution of financial results etc. At the beginning of the transition to market economy in the economic system existed a set of blocked connections (structural blockage) that generates a state of economic stagnation or even regression. Regarded as a subsystem of such a kind of national economy, the agriculture and rural areas, generally neglected, presents, compared with developed countries, some characteristics of underdevelopment state: low production per capita, low levels of mutation (caloric and protein), low comfort and civilization degree, trade, labor capacity underutilization etc. So the unsatisfactory development of agriculture is a component of inappropriate economic and social development. In countries where the economy is based mainly on agriculture, the underdevelopment of the agriculture may account for the general underdevelopment.

In our case, however, we can consider that the poor development (especially in structural terms) of industry is the main cause of failures in the economic and social development plan. Accordingly, when the restructuration of the whole industry has been a very long and complex process, the rapid transformation of agriculture should be considered a priority of the economic development (priority acknowledged by both the governmental progress of transition to a market economy, and the most political parties).

The main source of bottlenecks in the economy is the vicious circle (the so - called circle of poverty) which has as a starting point the low level of labor productivity. There are many arguments that this vicious circle can be broken more easily for agriculture than for the industry: through the liberalization of prices and through changing the forms of property in agriculture it can be produced a jump in revenue, which will generate an increased possibility of savings (taking into account the still low demand for consumption, industrial products and services in rural areas); the relatively lower level of specific investment and the recovery period; the increased opportunities to attract the capital, both internal and foreign type, due to a lower risk for investments in agriculture and in its related industries than in mining and heavy industry; the existence of relatively rich agricultural resources which are no valorized correspondingly; the existence of a labor force numerically important and which does not require too much spending for training; relatively small specific consumption of energy and shortened raw materials; easier penetration of agricultural products on the foreign markets etc.

### 3. Conclusions

To ensure the success of labor productivity, with many implications, including in social plan, a rapid awareness is necessary, not only of economic agents, but also of the entire population, on the necessity and inevitability of restructuration. Regarding the modalities of economy restructuration, we consider the investment and the non-investment path. The first path aims at sectors that are cost effective and efficient. Of course, the allocation and use of investments will not be made administratively as in the past, but in a new system, required by the market economy, attributing the appropriate importance to both technical aspect and especially to the economic one, which becomes decisive in the new conditions. The second option envisages the partial or total shutdown of some sectors, through permanent or temporary decommissioning of some capacities or objectives. The first way can be implemented through the market without the need for a mechanism or a specialized institution, the investments orienting themselves towards the profitable sectors, attracted by the large and rapid gains. The non-investment path requires competent and detailed analysis and some time for implementation, due to spillover effects, unnoticeable direct and immediate, especially in the stages when the economic agents have not yet been able to substitute the government policy. Typically, the restructuration action is associated with a basic component, the refurbishment. It is assumed that due to the absence of real possibilities of implementing new technologies, at least in the first phase of restructuration, the refurbishment will have a special role. Our industry, without being very modern, it has a number of important capabilities that with relatively small investments could produce in good condition. It must then take into account that the restructuration through restricting activities of branches, companies, capacities will contribute to raising the unemployment. In turn, the refurbishment, as part of the restructuration process had the same effect and, in these circumstances, it is assumed that in the medium term, no new jobs will be created and therefore a greater attention will have to be paid to the tertiary sector development.

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