THE IMPORTANCE OF THE REDUCTION OF REGIONAL DISPARITIES - MAJOR NECESSITY OF THE ROMANIAN ECONOMY

CEAUȘESCU IONUȚ
ASSISTANT PH.D., CONSTANTIN BRANCUSI UNIVERSITY OF TARGU-JIU FACULTY OF ECONOMIC SCIENCE,
e-mail:ionutaurelian81@gmail.com

Abstract
At the european level, the history of regional policy was formed around the concept of economic and social cohesion. Alongside the economic union, and monetary policy, the cohesion policy is a major objective of the EU, it signifies the reduction of disparities in the development level of the regions and helping the regions lagging behind to catch up the gap that separates them from the more developed regions of the EU.

The european regional policy has as a key objective of reducing economic and social disparities in the EU. It comes in complement of structural policies and national regional applied in the poorest regions and on the labour market. In this sense, the arguments of regional policy related to the risks of disintegration caused by free movement and the disparities existing in a competitive space of large size, found in a stage submitted to integration, but differences still remain important from the point of view of structural and economic policies

Keywords: economic development, regional gaps, social cohesion, economic cohesion, regional disparities

Classification JEL: R10, R11, R12

1. INTRODUCTION

In the context of development of regional policies to national, socioeconomic differences between regions were at the origin of the concerns for initiating concepts and programs to address the problem of regional development. in Europe regional disparities are considerable.

The first regional programmes at the european level have been initiated after the entry of some countries which, due to the weaker development, led to the emergence of significant disparities. However, the main reason for which the european dimension of regional policies has gained momentum is related to the formation of the Single Market whose smooth operation could no longer take place in the conditions of too large differences between the various areas of the space integrated. Market opening the gate and the risk that regions stronger and more competitive to be favored at the expense of those weaker with fewer competitive enterprises. And at the national level, there are a number of disparities semnificative in terms of e.g. level of income and expenditure, etc., disparities that can be addressed through the implementation of regional development policies.

In response to the problems created by regional disparities, shall apply at the level of regional economic development policies. Regional development policies fall within the economic strategies of the national medium and long-term and aim at improving the medium-term and long-term economic conditions regional so as to allow the normal functioning of market mechanisms and to lead in this way to the achievement of a relative balance between the levels of economic and social development of the various regions of a national territory or to ensure a certain fairness interregional cooperation.

The areas that can be targeted by regional policy are diverse, economic, social, cultural, etc., and the measures promoted could be aimed at boosting and diversifying economic activities, infrastructure rehabilitation, workforce development, improving environmental quality, stimulating
investments in various fields. In essence, by those measures it seeks to achieve the three great imperatives of regional policies, namely [1]:
- achieving a balanced distribution of income and living conditions on the regional plan;
- reduction, within certain limits, the unemployment rate of the regions;
- decreasing the risk of a decline of the population of a region as a result of emigration;

Among the most significant national policies of regional development applied in the present, in EU countries can be mentioned[2]:
- grants for investment and financial incentives;
- increasing the mobility of labour;
- encourage technology initiatives;
- development control and support to small businesses in order to adapt them to the economic level in the conditions of increasing globalisation;
- restoration activities by the indirect incentives, and encouraging the development of networks of cooperation.

2. THE IMPORTANCE AND NECESSITY OF REGIONAL DEVELOPMENT POLICIES

The need for regional development policies derives from the fact that they represent one of the important tools that lead to the reduction of inequality at the level of regions.

The aim of regional development policies is thus the ensuring of economic growth, dynamic and sustainable through the efficient capitalization of the regional potential for socio-economic development of the regions. The regional development policies aim to achieve objectives which to ensure a certain fairness interregional cooperation, in conditions of efficiency and by the elimination of the undesirable side effects of development[3].

In other words, regional development policies do not presume usually the initiation of interventions in the short term but, in the first to improve the long-term economic conditions of the regional, to allow market mechanisms to work effectively. The support of the regional induced by the application of these policies is intended to create favourable conditions for private investment and may not be designed as a permanent subsidy.

The objectives pursued by the policy measures of the regional economic development looking at the evolution of economic variables and social-related in particular to economic growth, labour market, social development, equipping of territory, protection of the environment.

Specifically, these measures aim to influence the evolution of some economic variables, demoeconomic and social, such as: population, resources, employment, unemployment, production, investment, incomes and their distribution, consumption, price trends, budget, infrastructure and other utilities, consumption of energy, pollution, land use [4]:

In the framework of regional structures, cities and municipalities can cooperate on the economic and social plan to harness local resources and to attract financial resources. Thus, unlike the traditional approach, according to which the regional policy administration is the national public, in the current conditions, the achievement of the objectives of regional policy is carried out through the collaboration of the national public authority regional public authorities, local businesses or even with other countries. Internationally, local and regional authorities have a key role in promoting regional policies active[6].

In this context, the experiences of the relatively recent highlight the existence of the following types of regional development policies:
The regional development policies initiated at the central level have been practiced in a stable economic climate, and their essence consists in the redistribution of centralised resources.

The policy of regional development that supports the development of private enterprises, relying on the functioning of the market mechanisms, allows the entrepreneur to position themselves in the economic, social, political, regional and local level to introduce innovation, to undertake risk and to adapt more easily to the circumstances.

The policies initiated at local or regional level, are practiced in the economies of regional and local weak from a structural point of view, in which case the practice of the two types of policies discussed above do not give results. The role of the local community in stimulating the initiatives of local and regional development in the framework of this type of policy is particularly important, in order to attract resources exogenous to them. As a result, the harmonious development of the regions presupposes the individualization of regional development policies through the adoption of development policies, which applies the principle of the advantage of the local, of the complementarity between urban and rural areas.

In accordance with neo-classical economic theories, the existence of disparities is temporary and their elimination is achieved by adjusting based on market mechanisms, prices and wages, as well as labor and capital movements. On the basis of neoclassical economic theory, however, there are a number of simplifying assumptions, in which the most important is the existence of the market with the perfect competition of the production factors, a demand and a atomized offer. But practice proves that these conditions are extremely restrictive, so that market mechanisms will generally leads to the concentration of economic activity, prosperity and employment in regions developed (benefiting from the most favorable credit terms and conditions for economic agents) but also to slow down the economic development, the increase in unemployment, the decrease of the standard of living in the less-developed regions. As a result, it is necessary for the competent institutions to orient the economic and social actors towards the achievement of the regional development objectives. To this end, institutions will use different economic policy instruments, including public institution budget allocations, local taxes, public investment, public and private investment grants, etc.

To reduce regional disparities, a range of regional policy instruments are used, they are not their own but derived from economic policy instruments and can be classified into:

- Measures to stimulate the development, in the category which includes financial incentives or compensation. Direct assistance to the association of public capital with private capital with a view
to the completion of investments, in particular for the development of local interest services, but also the financial participation of the public administration with a view to the construction or development of infrastructure;
- direct interventions for locating and developing certain activities or for endowing the territory with certain utilities.

Another instrument used in the implementation of regional policies is that of financial incentives granted to the regions-problem in order to stimulate productive investments in the form of loans, subsidies granted for investments or Interest on loans committed for this purpose, reductions and tax exemptions, facilities for depreciation of fixed capital, subsidies for the use and employment of the workforce.

To choose the type of incentives, a set of criteria is used, of which we mention [1]:

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\begin{array}{|c|c|c|c|}
\hline
\text{Its location} & \text{Project size and viability} & \text{Need for assistance} & \text{Financial status of the applicant} & \text{Project type} \\
\hline
\text{Identify the sector in which the project will} & \text{Criteria used to provide financial incentives} & \text{The economic and social impact of the project} & \text{Need for assistance} & \text{Project type} \\
\hline
\end{array}
\]

However, territorial development must be based mainly on the contribution of local, human and financial resources. The financial funds of local public authorities, as a rule, come from the following sources[7]:

a. Local taxes and duties, as well as revenues from their own activities;
b. Amounts from the state budget;
c. Loans of local public administration authorities;

Taxes and fees, as well as income from own activities, are directly proportional to the volume of economic activity in that territory, so the way to increase these sums is to develop economic activities. From that area, it must be the objective to be achieved for all local public authorities, being the safest way to reach sustainable development. This implies the attraction of new enterprises to the underdeveloped areas, which is usually achieved by creating favorable conditions for attracting private investments and thus by the multiplier effect they will reach more financial resources in the local budgets, these resources being possible be used to develop that area.

**Figure 2 - Criteria used to provide financial incentives**

In a democratic political system, local government is a key element. Its institutions provide a number of essential services for the economic and social welfare of the inhabitants, use a significant proportion of public money and constitute, directly and indirectly, a source of jobs. The local administration is more than a service provider. It is the level closest to the citizens and has an important role to play in representing local concerns and opinions. Local government must build structures, the environment capable of actively supporting participation. Accordingly, there is a need to change the status and behaviour of the public functionary, as well as the mentality, the behaviour of local collectivities, so that they can be involved in promoting development projects in accordance with their major interests. The modern approach to the analysis of the administration's participation, local communities is a behavioral type: This means what people do, compared to what they say they are doing or what they should do, in legal and institutional terms[5].

Another challenge of regional policy is the increased competition between firms, which is increasingly leading companies to pursue their activities in regions with efficient infrastructure, high quality services and well-trained workers. Thus, regional development funds must be effectively geared towards the least favored regions of the European Union, and new Member States must be supported in developing infrastructure and services in order to attract such companies and increase their economic potential.

For example, the technological revolution and the development of the information society also provoke the objective of regional policy (to reduce the economic and social disparities between EU regions) through the need to adapt citizens, the public and private sectors to the use of information and telecommunication networks. Regions and organizations well connected to these networks and familiar with the use of information technologies thus benefit from a consistent advantage in making their economies more efficient by saving time and communication costs, thus reduced by increased access to information networks.

CONCLUSIONS

In conclusion, the traditional objective of regional development policies is, therefore, reducing the disparities at territorial level or at the level of regions, achieving a relative balance between the levels of economic and social development of the various areas of the national territory or regional level.

In accordance with the economic theories neoclassical, the existence of disparities is temporary, and their elimination is achieved by adjusting based on the market mechanisms of prices and wages as well as through the movements related to the labour market and the capital. At the basis of neoclassical economic theory is, however, a number of simplifying assumptions, of which the most important is the existence of a market with perfect competition factors of production, supply and demand atomized. Practice proves, however, that these conditions are extremely restrictive, such that market mechanisms will generally lead to concentration of economic activity, prosperity and employability of the labour force in developed regions (who benefit from the most favorable conditions for the economic agents) but also to the slowing down of economic development, rising unemployment, and falling living standards in the less developed regions. As a result, it is necessary that the institutions ability to steer economic and social actors in the direction of pursuing the objectives of regional development. To this end, the institutions will use different tools of economic policy, between which are found the allocations from the budget of public institutions, local taxes, public investment, subsidies for public and private investment, etc.

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