

## SOME INSTITUTIONAL ASPECTS OF THE POST-SOCIALIST TRANSITION: FROM THE COMMAND ECONOMY TO MARKET ECONOMY

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**Summary. Purpose.** The article is devoted to the research of the essential analysis of the post-socialist transition aspects: from the command economy to market economy. Institutional aspects of the transition process with different characteristics is observed in the article. **Methodology of research.** The objectives of the article implemented by using the following general and specific research methods: analysis and synthesis, systematization and generalization, dialectical approach. **Findings.** Established that the transition is a natural status quo of motion and change of any system, on other development coordinates, in most cases to higher top quality situation; is a normal state of our world systems, an intrinsic component of the changing and rebecoming in new conditions; a revolutionary process triggered after the collapse of communist regimes and which was manifested in the economic, social, political fields, had to include mandatory the following components: liberalization of economic activities, macroeconomic stability, restructuring of the economy and privatization, institutional and legal reforms. **Practical value.** The transition process, especially when it is between two modes of production, between two types of societies with different characteristics, is an extremely complex process, medium and long term, the success of the action depending on how those called to carry out the radical reforms succeed in these actions, overwhelmingly changing the foundations of the old system, implementing new elements but, above all, preparing and using human resources corresponding to new requirements, new realities, new goals.

**Keywords:** transition, transition process, liberalization, restructuring, privatization, command, economy, market economy, transition economy.

**Introduction.** The starting point (regardless the country) was the need to move, to overcome the socialist state of the country where were imposed specific principles and characteristics, such as state property, unique state and party government, economic centralism, but also the so-called democratic one, the trend of values and social class uniformization, the excessive indoctrination of the masses etc.

**Purpose.** The main objectives of the article are to provide the essential analysis of the post-socialist transition aspects: from the command economy to market economy.

**Result.** The former socialist countries oriented towards the market economy, were different *not*

*only according to the level from which they started, but also according to the runway speeds, the mode of resource management, the established objectives, so the transition period to the market economy was shorter or longer for each of the countries concerned [1].*

These countries in transition, among which Romania and Republic of Moldova, had to face strong difficulties, confronting a number of major problems that affected their development [2], problems widely discussed in the scientific literature and which we intend to explore further.

**High unemployment.** The rising and increasing unemployment was probably the most serious issue of the transition period, because it mas-

sively affected the labor force, which in the socialist system “benefited” of employment security and wage – often symbolic, but secure and timely. The transition from the work organization at the socialist enterprises to a market economy meant privatization of enterprises and even disappearance of economic units.

Because to stay on the market and to be effective an entity should make profit, achievable through the increase of labor productivity (aspect, that especially in the case of Romania and Moldova, had no chance of success), or the dismissal of personnel, ie its entry into unemployment. Moreover, “exploded” the hidden unemployment, where the labor force formally remained employed at the enterprise, but because it did not really function, the staff was forced to take long-term unpaid leaves.

On the other hand, in order to absorb the quasi-majority of the available labor force in the economy, the socialist state, which was the owner of all means of production, hired more than required staff for the smooth functioning, as it would have happened under market conditions. This large amount of work that loaded enterprises expenditure was the main cause of socialist economic units maladjustment to the new harsh realities from the beginning of the last decade of the last century.

The most serious thing we want to highlight in the cases of Romania and Republic of Moldova, is the fact that were not taken on time and operative the measures for retraining the workforce dismissed from all sectors of national economy, including the budgetary one. Also, no firm attention was given to the possibility of attracting foreign investments in the economy, which could “absorb” the labor force surplus created.

**Inflation.** In the new conditions of transition, the plenary manifestation of inflation, overlapped over the cyclicity of the economic and financial crises, took place on the level of the privatized economic entities, ie enterprises (companies, organizations) that have quickly moved from central planning and prices imposed by the state at prices that were formed depending on the supply-demand game of the specific market.

The philosophy of the market economy is based on making profit, therefore, on the profitability of enterprises. Hence the desire of some entrepreneurs of our economy to maximize the price of products and services, in the situation they considered possessing a monopoly, or their products found the desired segment, “a market

niche”, and the demand being high (until other competitors appeared) they have increased the price and recorded the so-called super profit.

We mention that in the transitional economy and even more so in the free market economy, between the two major “evils” of economy - *inflation* and *unemployment*, we believe that “the smaller evil”, if it can be called so, is the *unemployment*, because not all the active labor force is unemployed at a certain time, but only certain sectors and categories of workers or employees, while *inflation* is represented by a general rise in price at the entire national economy level and beyond, affecting alike and in the same time all sectors of the economic and social life of a country.

These two major macroeconomic phenomena – unemployment and inflation, where the “smaller evil” is unemployment, determined adequate answers from economic-political-social policy makers from the states that already possessed an adequate economic infrastructure, so that they could successfully face the strong economic and financial crisis unleashed in 2008.

**Lack of entrepreneurship and managerial skills.** A significant characteristic of the transition countries was that linked to the managerial and especially entrepreneurial component. It is normal that the shift from centralized management, directed from the center, to the competitive market economy, meant finding, but mainly, training in the shortest possible time the managers and entrepreneurs, able to develop a certain business, to assume the risk of the respective enterprise and to organize the activity in a way and to combine specifically the production factors, so that the business survive and make profit. But the historical experience was lost, and most citizens were confident that the state will ensure them against the global competition and the “invasion” of capitalism, as well against losing their jobs. The consequence was that a great part of the workers and employees were inactive in this situation, becoming unproductive and ineffective, knowing that the situation will not change.

**Corruption and inequalities.** Overall, both in socialism and capitalism, the corruption exists. But in the transition period to the market economy it manifested with particular intensity. And what is happening today with reference to the scandalous corruption breakthroughs (for example, in Romania with DNA actions on a large scale, or the theft of one billion dollars from the Moldavian banking

system) proves that the scourge is more ancient and deeply rooted, and also that the revealed phenomenon is due to the long period of transition, with oftenly untransparent realities.

At the same time, the collapse of the old existing relations, the existence of corruption, of influence paddling and abuses led to extreme worsening of the economic, social, educational, cultural inequalities, aspects that resulted into poverty and unemployment for some, and for others – to fast enrichment, oftenly unjustified and obscure.

At the same time, the transition is a natural *status quo* of motion and change of any system, on other development coordinates, in most cases to higher top quality situation. We believe that *transition is a normal state of our world systems, an intrinsic component of the desire for change and rebecoming in new conditions*. We also believe that *transition* as a revolutionary process triggered after the collapse of communist regimes and which was manifested in the economic, social, political fields, had to include mandatory the following components [3]:

a. *Liberalization* of economic activities in order to achieve the requirements of market mechanisms and the removal of trade barriers and other barriers on the way of goods and services circulation;

b. *Macroeconomic stability* by implementing appropriate monetary and fiscal economic policies, especially braking and keeping inflation under control;

c. *Restructuration of the economy and privatization*, which eliminates the state monopoly over the economy, the economic entities are created and operate according to the requirements of market economy, as well as the need to create a strong financial sector. But sometimes these processes have led to the disappearance of some units that could become profitable, to the emergence of striking inequalities, the appearance of mafiotic interest groups, corruption and influence peddling. The inability of the new state to face new tasks, requirements, blows received from these interest groups, the inability to find practical solutions to the economy, in many former socialist states resulted into a heavy exodus of the working age population, and lately – students, towards western states in order to achieve a higher standard of living and education, corresponding to their skills.

d. *Institutional and legal reforms*, as the new economy and statute to be achieved stipulated

the existence of some institutions absolutely necessary for the state and a good governance, but which in their turn, had to be attracted within the field of the new requirements of countries with consolidated democracies, promoting the rule of law.

**Conclusion.** As a partial conclusion to the above presented, we wish to emphasize that the transition process, especially when it is between two modes of production, between two types of societies with different characteristics, is an extremely complex process, medium and long term, the success of the action depending on *how those called to carry out the radical reforms succeed in these actions*, overwhelmingly changing the foundations of the old system, implementing new elements but, above all, *preparing and using human resources corresponding to new requirements, new realities, new goals*.

In this context, we found suggestive the words of Thomas Edward Lawrence, known better as “Lawrence of Arabia” who underlined that any activity, in any action, in order to achieve a certain goal, needs a head: “not intelligence, not counsel, and not political wisdom, but the flame of enthusiasm that could light up the desert from one end to another.” [4].

Namely people who would use their entire stock of knowledge, abilities, communication skills, courage and predisposition to risk and whose intellectual, physical and will powers to ensure the achievement of the proposed goals.

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**Анотація.** Мета статті полягає в дослідженні постсоціалістичних аспектів перехідного періоду від командної економіки до ринкової економіки. У статті розглянуто інституційні аспекти процесу переходу за різними характеристиками. **Методика дослідження.** Вирішення поставлених у статті завдань здійснено за допомогою таких загальнонаукових і спеціальних методів дослідження: аналізу та синтезу, систематизації та узагальнення, діалектичного підходу. **Результати.** Установлено, що перехідний період є природним статус-кво руху та зміни будь-якої системи, це нормальний стан світових систем, невід'ємний компонент змін у нових умовах, революційний процес, який повинен включати в себе такі компоненти: лібералізація економічної діяльності; макроекономічна стабільність; реструктурування економіки та приватизації, інституційних і правових реформ. **Практична значущість результатів дослідження.** Процес переходу, особливо коли мова йде про перехід між двома

типами виробництва з різними характеристиками, є надзвичайно складним процесом у середньостроковій і довгостроковій перспективі. Його успіх залежить від того, хто покликаний проводити радикальні реформи, запровадження нових елементів, підготовки й використання людських ресурсів, які відповідають новим вимогам, новим реаліям, новим цілям.

**Ключові слова:** перехід, перехідний процес, лібералізація, реструктуризація, приватизація, командна економіка, ринкова економіка, перехідна економіка.

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**Аннотація.** *Цель* статьи заключается в исследовании постсоциалистических аспектов переходного периода от командной экономики к рыночной экономике. В статье исследованы институциональные аспекты процесса перехода по различным характеристикам. **Методика исследования.** Решение поставленных в статье задач осуществлено с помощью таких общенаучных и специальных методов исследования: анализа и синтеза, систематизации и обобщения, диалектического подхода. **Результаты.** Установлено, что переходный период является естественным статус-кво движения и изменения любой системы, это нормальное состояние мировых систем, неотъемлемый компонент изменений в новых условиях, революционный процесс, который должен был включать в себя следующие компоненты: либерализация экономической деятельности, макроэкономическая стабильность, реструктурирования экономики и приватизации, институциональных и правовых реформ. **Практическая значимость результатов исследования.** Процесс перехода, особенно когда речь идет о переходе между двумя типами производства с различными характеристиками, является чрезвычайно сложным процессом в среднесрочной и долгосрочной перспективе. Его успех зависит от того, кто призван проводить радикальные реформы, внедрение новых элементов, подготовки и использования человеческих ресурсов, которые соответствуют новым требованиям, новым реаліям, новым целям.

**Ключевые слова:** переход, переходный процесс, либерализация, реструктуризація, приватизація, командная экономика, рыночная экономика, переходная экономика.