Savings and Debts in Agriculture

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Abstract
The savings and debts problematic bring us in front the Keynesian principles of supporting the global demand, so spectacular immortalized inside his “General Theory of Money. The architects of the European Union consider that production in agriculture and other economic branches is “ab initio” grounded on the credit mechanism administrated by banks: the present day approach of the agricultural process configured it as costly, owing a relatively medium to long term duration, and risky, making important the banking institution for mitigating such constrains. Romania fights for the ambitious goal of entering in the euro zone, and this target became even more challenging after the new EU Regulation No 1176/2011 on the prevention and correction of macroeconomic imbalances, which stipulates a safer surveillance for the member states. In fact, our country has to meet the exigencies of nominal and real convergence criteria, measured by the European scoreboard and relevant index.

Keywords: credit, European scoreboard, euro zone

1. Introduction
In the world economic meta-system, all the countries are connected in one way or another to global economic phenomena, and this is why, a production slowing down or imbalances in some countries unleashes similar reactions by contagion or local counter-reactions in other countries; such fluctuations and changes in the socio-economic motion was described by scientists in analogy with physics.

One of the most well known comparisons of the economic motion belongs to John Maynard Keynes, 1930, who thought that moderation and austerity are our company when passing through the tunnel of economic constrains: “For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight” [1].

His horizon was wide and having in mind the future, the suggested image of a tunnel was re-taken by politicians, in Romania as well, in their efforts to persuade the citizens to vote “pro domo”.

Many economists and professors warned us about the objective character of the cycling motion, pointing the necessity of savings, and among them we remark the relatively recent visualization of the economic motion and its specific changes was also in connection with recession times: in the third millennium, the world systems theory was displayed by Immanuel Wallerstein [2] in his “World Systems Analysis”, 2004, a vision in connection with the long term Kondratieff economic super-cycles, of secular extent.

In this approach, the economic sphere is included into the geo-political hegemony, moving “two steps up, followed by one step down”, on a secular trend, similar with the technical wheel mechanism of ratchet device.

Similarities are interesting to be noticed, in different approaches of the study of the profits-growth fluctuation there is a common horizon of
100 years, even if the short and medium term cycles were known and studied from the classic times.

Also, the political role of governors is considered to be significant for the amplitude of the oscillations, if the periodical rhythm of the economic motion is accepted to resemble with an oscillation, in all the studies, which conclude that society expects a solution from the rulers of the day, in order to face the difficulties and secure its survival.

2. Materials and methods

Even if the essence of the economic phenomena seems to be alike, we expect from the theory and from the governments which implement the appropriate solutions, a modernization of the employed tools, starting from an innovative legislation and up to high technologically endowed systems of field intervention. The authorities’ intervention remains a necessity, at all levels of social organization, from the lowest, up to the European and world level, especially considering that the main political instruments lately used are legislative and monetary ones.

In the agricultural sphere, the particularities are connected to the long term of credit needs, because the balance between savings and credit is without any doubt secured by the supporting funds.

3. Results and discussion

The economic, social and political integration of the European Union is a long term process, which did not end when one country entered EU, but on the contrary: this is the moment when the national authority are committed to start a series of transformations in order to gather all the available forces in a heavier development pole of the whole world.

In line with the common convergence goal, our country took some financial measures in order to limit the amplitude of the economic crisis which hit by contagion our economy as well, during the last 3 years.

Among the anti-cycle measures, all of them very controversial are the increasing of the VAT up to 24% and of the excises, the wages cut, especially in the public sector, the raising of the public debt (over 18.7 million euro) by using agreements with international financial institutions.

Given such a problematic business environment, the inflation raised all prices, agricultural prices too, putting a supplementary pressure on the local farm production.

The crisis, as a negative oscillation of the economy is interesting illustrated by the figures of the contribution of the agricultural sector in Romania GDP: from 12.6% in 2004, down to 5.7% in 2007, 6.5% in 2008, and back upper to 12.3% in 2010 and 2011 [3, 4]; according to another statistic source [5] the share of agriculture, forestry and fish breeding in total Romanian GDP has decreased continuously: in 2007, it was of 5.8%, in 2008, it was of 6.6%, in 2010 it was of 6%, and first part of 2011 it was of 2.1%.

Taking a closer look into the theory, in order to see what is to be done, we watch the 1929-1933 crises, when the “saving glut” was incriminated by the business man, apparently to be the cause of the profits collapse and of the general poverty.

In all societies the savings are the basis of the accumulation, stocks, resources and growth: the more savings we owe, the more possibilities we have to erect any type of activity. Polemics rise when time comes to use and how the assets, weather they should be liquid or not, or how much liquidity is required for the normal functioning of the economic flows.

For the sake of business, not only that savers wish to owe more and more, but they are eager to leave behind the comfort of a bank deposit for speculations in the investment ring.

The speedy development of the capital markets in the countries with a long capitalist history is in connection with the liquidity of the shares.

Somehow ironical about the “gold rush” of investors for good and better purchases, Keynes was noticing in his masterpiece “The General Theory of Employment, Interest and Money”, 1936, that “the fact that each individual investor flatters himself that his commitment is “liquid” (though this cannot be true for all the investors collectively) calms his nerves and makes him much more willing to run a risk. If individual purchases of investments were rendered illiquid,
this might seriously impede new investment...” [6].

A pertinent observation, valid in all times, is that not only the savings that economy requires for a steady growth, but also a liquid way to hold them. Bringing this discussion in the agricultural domain, we remark that the hunger of capital is inextinguishable, at global level food production is not enough; for Europe, in order to safeguard the food security of the citizens, funding was injected in both vegetal and animal production ever since the Common European Market was borne (1957), the Agricultural European Policy being most active along the time.

In 2012, for Preservation and management of the natural resources, a share which will put in practice the Common Agricultural Policy of the European Union (CAP) it was allocated 40.8% [7], while in 2011 it was of 41.3%, and in 2010 of 42.1% [8].

From the European source, our country gets and distributes a series of subsidies, as payments for the vegetal and animal sectors, having as result the consolidation of the national agricultural sector, aiming to increase its productivity, output and quality.

Unfortunately, what we can see from the Report on the Romanian Agriculture, released in 2011, July, [5] is that the production counted in million lei has increased, both in vegetal and animal branches, ( the vegetal production increased from 28723.4 million lei in 2007 up to 43488.5 million lei in 2010, and the animal production raised from 18291.6 million lei in 2007 up to 20406.8 million lei in 2010) while the consumption has diminished, as a consequence of the shrinking of the solvent demand on the domestic market.

Also, the same ministry’s document displays another situation: the diminishing of the animal production in the total output, while the share of the vegetal production is rising: the share of the vegetal production raised from 60.2% in 2007, up to 67.5% in 2010, while the share of the animal production diminished from 38.3% in 2007, down to 31.6% in 2010.

The animal production decline in our country is obvious, as reflected by the official statistics: the bovines number decreased from 2800 thousands in 2001, down to 2467 thousands in 2010 (in spite of the small milk subvention); the porcine decreased from 6815 thousand in 2006, down to 5423 thousands; only the sheep breeding recorded a progress, from 7776 thousands in 2001, up to 11177 thousands in 2010, as a result of the 25lei/sheep national direct complementary payments, since 2006.

It is obvious, in the market economy system, the most profitable activities, which are not agricultural, will be targeted by the businessmen with priority, and because maintaining all the agricultural sectors at their best is mandatory, and it is a matter of national, European and global interest, we find ourselves back to the interventionist and Keynesian thinking, at least for this primary and most important sector in any economy.

Not only for the scarcity of the capital resources, but also, in order to address the liquidity hunger of the business, agri-business included, the European authorities have set up a series of economic policies, in order to stop the production decline. Attracting all European Funds available for our country is possible, but not 100% succeeded yet, but institutions such as the Agriculture Payments and Intervention Agency (APIA), or the Rural credit Guarantee Fund (FGCR) are valuable instruments of implementation “The National Sustainable Development Strategy Romania 2013-2020-2030” [9].

As mentioned in this document, the capitalization on the potential of LEADER program supports the local action groups; the “Farmer” program will go on with its effects, and so on: between 2007 and 2013, it was estimated that 14 billion euro would enter Romanian agriculture, fishery and rural development only from the Community budget, following that the national budget to support its share by co-financing those measures.

Out of this amount of capital, 80.46% will be directed through the European Agriculture and Rural Development Fund (8.02 billion euro); another injection of 5.5 billion euro will be paid directly to the farmers, 248 million euro supported market measures in 2008, and 230 million euro are directed for fishery.

Intervention by funding is the most rapid and responsive tool in macroeconomic policy and hopes are that our country will no longer import the food-products that traditionally can provide from the internal farming.
4. Conclusions

The non worked agricultural surfaces of our country could be diminished if more investments were directed into that sector: in 2011, only 2.4% from all the investments were directed in agricultural sector [10], while industry owed 42.8%, construction had 17.9%, commerce and services benefit of 33.4%.

In our opinion, this amount is far too low from the growth and development requirements of the agricultural sector in general, with special emphases on animal and animal origin production. The domestic offer for some products, for instance the dairy group of products is still far from the European clients’ expectation, and from the real potential of this branch in our country, this situation being an important imbalance of the economic mechanism of this sector.

The savings and debts problematic in the rural area is market by unbalances between vegetal and animal branches, and within the animal sector the diversity of activities is not equilibrated and equally supported.

The microeconomic lacks from the farming level drive to the persistence of the existing gaps between the national performances and the average European ones in each type of activity. Some recent Regulations of the European Union, like No. 1176/2011, on the prevention and correction of macroeconomic imbalances, [11] meet the theoretical desideratum of restoring a lasting stability and durability on the markets and in the whole continental economy; the progress is that the Regulation prefigured a closer surveillance of the national economic activity, in order to make real and consolidated steps towards the nominal and real convergence of the member states.

The European scoreboard calculates the relevant index which indicated the stability for the authorities and the citizens as well, being a valuable information tool in order to orientate the business environment.

When looking to the vast picture of the crisis of “the sovereign debts” in European Union we cannot stop thinking that inflation is urged by the debtors hoping to pay less (a devaluated amount of money), and thus, there is distrust from the beginning among the financier, savers and debtors.

In this context, the wisest European solution to decrease the deficits and also the unbalances is to try to function under the permanent restriction of the balance surplus, especially in the euro-zone area, but also in countries that target to enter euro-zone.

This policy is already in function, raising savings against investments: if in 2009, in the euro area, the savings were as a share from GDP, of 19.1%, in 2012 is estimated to be 20.4% [12].

As a remark, the promised indexation of the salaries in the public sector might have a benefic impulse on the raising of the consumption and consequently stimulating the production of all branches, agriculture included, only on the condition that this small amount money that each employed will get will not be absorbed by the raising cost of living utilities, like heating, electricity, water supply, transport and communication, which all have an inflationist and administrated trend. Nevertheless, the raising salary on an economic basis is a balancing macroeconomic measure, adopted with success in many countries.

An interesting observation about other countries, from outside Europe, is that, although they function on the basis of market economy, they have introduced or re-introduced a centralized development planning (5 year planning for development), many time after the socialist countries gave up this system considered inappropriate to the market development, to better administrate the available resources.

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