INSTITUTIONAL DETERMINANTS OF PERFORMANCE BLOCKAGES IN ROMANIA'S AGRICULTURE

DETERMINANȚII INSTITUȚIONALI AI BLOCAJELOR DE PERFORMANȚĂ ÎN AGRICULTURA ROMÂNIEI

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Abstract: *The agrarian crisis in Romania is a complex phenomenon manifested at different levels, among which the institutional environment. The paper's objective is to reveal the combined effects generated by the bipolar ownership structure, by the underdeveloped and highly distorted competitive environment, disadvantaging the agricultural producers, by the diffuse structure of ownership rights, by the high transaction costs, etc., upon the Romanian farmers' performance. The performance constraints and blockages will be identified, generated by the mentioned determinants and possible solutions will be designed for surmounting the present difficult situation.*

Key words: *agrarian crisis, institutional determinants, competitive environment, institutional blockages*

INTRODUCTION

The agrarian crisis in Romania, whose noticeable effects have been manifest long before 1989, is in essence an underutilization crisis of the production potential generated by the natural resources. With regard to the production potential provided by the natural resources, mainly the availability and quality of land resources, our country is above the EU average.

The agrarian crisis in Romania is characterized by the stagnation of the agricultural system, by a long-term absence of economic performance

with all the negative consequences at technical, economic and social level. In essence, it is manifested as a crisis in the efficiency of resource allocation, as a synthesis of an aggregate of partial crises. The agrarian crisis puts together the effects of the crisis in providing anthropic resources, of the land ownership/operation crisis, of the market and institutional crisis, etc. Each of the above-mentioned crises has its own well-defined history and evolution, at the same time reflecting the inter-actions between the above-mentioned partial crises.

The causes of the crisis are complex and multiple. One of these come from the historical past of the Romanian agriculture evolution (for instance: the crisis of anthropic resources dominated by the scarcity of operating capital and by a significant surplus of labour resources; distortion of incentives modeling the behaviour of economic operators, etc.); yet a significant part of these derive from the modality in which the systemic and structural reforms after December 1989 have been designed and promoted.

MATERIALS AND METHODS

The main objective of the study is to reveal the direct and inverse linkages between the components, which by their unity and interdependence, contribute to the system of crises in Romania's agriculture. On this basis, the combined effects upon the Romanian farmers' performance were revealed, generated by the bipolar ownership structure, by the underdeveloped competitive environment, strongly distorted to the disadvantage of farmers, by the diffuse ownership right structure, by the high level of transaction costs, etc. In the last instance, the constraints and blockages to performance were identified, generated by the above-mentioned determinants, and possible solutions for surmounting the current crisis situation were suggested.

The complexity of problems imposed a multidisciplinary approach. The paper theme was investigated from the theoretical-methodological and operational point of view, using operations specific to the economic research, mainly causality, analysis, synthesis and comparison. The causality was present in the explanation of the contents and manifestation form of the economic processes under investigation, in the analysis of the current situation and evolution of the crisis system in Romania's agriculture. The analysis and synthesis were present throughout the paper. The analysis identified the main interdependencies in the system of crises and their

effects. The synthesis served as a basic working tool in the formulation of conclusions and recommendations, mainly with operational character. The comparison served as basis to reveal the advantages and disadvantages – mainly in the area of possible solutions that should be envisaged, with proposals for surmounting the crisis situation in Romania's agriculture.

RESULTS AND DISCUSSIONS

The Romanian farmers' performance deficit was generated and maintained by a series of factors that are identified as causes or manifestation forms of the crisis system in our country's agriculture. The examination of these determinants of economic counter-performances reveals that the blockage factors in the efficient utilization of resources are present and act as structural elements of a system. The action of one factor of another is correlated, and on this basis amplified, by direct effects or feedback, with that of other determinants that contribute to farmers' economic performance diminution. Among the factors that block economic performance, the following stand out: strong bipolarity of the agricultural land ownership and/or operation structure; perpetuation of a competitive environment that is underdeveloped and strongly distorted to the disadvantage of agricultural producers; diffuse structure of ownership rights; high level of transaction costs; low confidence level, etc.

The perpetuation of a strong bipolarity of the ownership/operation structure of agricultural capital (land and operation capital) beyond the limit that provides the possibility of an efficient use of resources has the following direct effects: high production and transaction costs, low, fragmented and non-homogenous supply, resulting in low competitiveness, an extremely modest saving capacity that maintains the largest part of individual household farms in the subsistence area only with the price of strong compression of the satisfaction level of certain basic farmers' needs (food, education, vocational training, heath, etc.). As derived/combined effects, we can notice the well-known results of a reduced, non-homogenous, non-organized supply. Among these, we can mention the set of conditions that constrain the demand (mainly agri-food commodities of local origin) and as a result the blockage of the essential incentive for supply increase. In these conditions, a low level of incomes and as a result of the savings possibilities, the blockage of growth sources in the last instance, are self-evident. Thus the conditions are reproduced that maintain the low

endowment of agricultural holdings with insufficient resources of cash, land, etc., which cannot ensure the consolidation and development of a large segment of holdings in Romania. The result is the perpetuation of the crisis of ownership/operation structures in the agricultural sector.

The examination of connections indicate that other economic performance blockage factors also contribute to the perpetuation of conditions that maintain the crisis of ownership/operation structures in Romania's agriculture, namely: persistence of an under-developed competitive environment, strongly unbalanced to the detriment of farmers; diffuse structure of ownership rights; low confidence level.

The persistence of an under-developed and distorted competitive environment, to the detriment of farmers, is one of the stagnation causes or of the economic decline in Romania's agriculture. The unfavourable impact of a distorted competitive environment finds its expression at several levels, among which the formation and amplification of a diffuse structure of ownership rights. The present agricultural markets, by their structure and functionality, favour an unjustified transfer of newly created value from agriculture to the upstream and downstream economic sectors. The gaps between the situation and evolution of agricultural produce prices, of the resources necessary in the agricultural production process to the detriment of the latter, as well as the under-evaluation of the agricultural products on the current (quasi-monopolistic, asymmetrical) markets by maintaining prices at a low level and/or the devaluation of certain agri-food commodities out of the absence of buyers artificially decrease the agricultural income and the agricultural capital usufruct implicitly.

This genuine "tithing" process, of transfer without equivalent of a part of the newly-created value in the agricultural sector, together with the unjustified diminution of usufruct, a long-term process in Romania's agriculture, leads to the diminution of interest for possession, as one of the main characteristics of ownership rights. The decreased interest in the agricultural property facilitates the formation and/or consolidation of a diffuse structure of ownership rights. At the same time, the interest in the farming activities also decreases, which entails the diminution of financial resources that are created in the sector or that could be attracted from other sectors for the consolidation of agricultural holdings. Thus, the overlapped performance reductive effects contribute to maintaining an agrarian structure that is less favourable to efficiency.

Besides the revealed impact, the existing agricultural markets in our country exercise a negative influence upon another component of the ownership rights as well, namely disposition. The quasi-monopolistic character of the current agri-food demand, the persistence of obstructed communication channels between demand and supply, the information asymmetry less-favourable to farmers makes them operate in an economic environment that is dominated by moral hazard in which, the existence of favourable conditions for the operation of anti-selection processes drastically constrain the rational option possibilities and the farmer's right of disposition. In the present conditions, the sphere of farmers' options, together with the free exercise of the disposition right are artificially constrained by the possibility of imposed action by the demand carriers that are in a strong position, which is due to a set of factors, among which: a significantly higher level of capital concentration; a quasi-monopolistic position on different markets; information and higher information interpretation capacity, etc.; the above-mentioned factors generate strong asymmetry, mainly information asymmetry, between the supply carriers and the demand carriers; this asymmetry limits the maneuver margin of farmers. Thus, the incentives modeling the economic operators' behaviour are distorted, together with the distortion of exercising the right of disposition, of the possibilities to adopt and promote decisions meant to ensure the rational use of resources, conferring a diffuse structure of ownership rights. All these adversely impact the agricultural process effectiveness and the incomes, the usufruct ensured by the agricultural capital implicitly. In this way, the financial resources meant to support the consolidation of agricultural holdings are diminished, together with the diminution of interest in possession and in agricultural capital utilization. All these represent factors that contribute to the perpetuation of a deformed ownership/operation structure on the basis of propagated effects and feedback. Thus, the effects of market crisis as well as of the institutional crisis enhance the ownership/operation structure crisis of agricultural capital.

From the above-mentioned facts, it results a combination of the effects that reduce the effectiveness of the agricultural process as a result of the intertwining market and institutional crises. The market crisis, by its contribution to the formation and consolidation of a diffuse structure of the ownership rights, represents one of the crisis that generates and maintain the

institutional crisis at two levels at least, namely: diminution of farmers' interest in the valorization of ownership rights on the agricultural capital; increase of transaction costs through the impact they generate upon the maintenance of a high fragmentation of agricultural capital.

The diffuse structure of ownership rights, by distorting the incentives that shape the economic behaviour, mainly the diminution of interest in the valorization of agricultural capital, lead to the maintenance of a low supply (as a direct effect of a low effectiveness in resource allocation) that practically lacks organization.

Last, but not least, the low confidence level – one of the factors that blocks the economic performance – represents at the same time a consequence and a cause of the farmers'opportunist behaviour in the market relations; this general behaviour is amplified by the persistence of an underdeveloped and strongly unbalanced competitive environment to the detriment of farmers, by the formation and maintenance of a diffuse structure of ownership rights, by the poor development of contractual relations, etc. The current unsatisfactory confidence level also lies at the origin of the poor development of cooperation/association relations in the agricultural sector with all its unfavourable results at the level of agricultural production efficiency and of supply organization, of farmers' incomes and savings possibilities in the last instance. Thus, we come again to the problems generated by the current crisis of land ownership/operation structure. On the basis of the above-mentioned facts, we consider that there is an obvious intertwining and amplification of the negative effects of the different components of the crises system in Romania's agriculture.

Due to the inter-dependences between the components of the crises system, to the negative combined effects that are generated by these connections, the agrarian crisis could be surmounted only in the conditions in which the management of the governmental action equally focuses on each of the components of the overall crisis of the Romanian agriculture, within a genuine policy that supports the rural development process.

CONCLUSIONS

The failure of agricultural policies in promoting the structural adjustment of the Romanian agriculture and at the same time in agricultural growth, which adds to the potential risks of Romania's EU membership, reveals the need to focus the management of governmental action on the

problem of an efficient allocation of resources and on increasing the farmers' competitiveness in the very next period.

In relation to the above-mentioned facts, a few possible options are highlighted, namely:

1. Intensification of the consolidation of individual agricultural holdings and of their competitive potential

2. An increased focus on competitive environment development

3. Institutional environment consolidation

4. Increasing the Romanian farmers' capacity to adapt to the evolutions of the environment where they operate

As first steps that could be adopted on the short term, we consider it opportune to:

- Create the legal and institutional framework, as well as to provide the financial support to the creation of competitiveness poles;
- Ensure the necessary conditions (laws, organizations, resources) for the development of a strategic information management system in rural economy.

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