

Book Review

Iulian Stănescu. 2014. *Puterea politică în România. De la comunism la noul capitalism (1989-2014)*. [Political Power in Romania. From Communism to the New Capitalism (1989-2014)]. București: Editura Pro Universitaria. 357 pp. ISBN 978-606-26-0083-9.

Reviewed by: Ionuț-Marian Anghel, Romanian Academy, School for Advanced Studies, Bucharest, Romania & Romanian Academy, Research Institute for Quality of Life, Bucharest, Romania

Explaining Romania's transition from state-led socialism to capitalism has been an objective for many political and social scientist during the last two decades, with important contributions coming from the two fields (Pasti 2006; Stoica 2004; Zamfir 2004; Ban 2014). However, Stănescu's work brings new insights about the many faces of change that took shape during the last twenty five years. Owing much of his research design and questions to William Domhoff's book 'Who rules America? Challenges to Corporate and Class Dominance' (2010), the author uses three research questions in his inquiry: Who and how political power is won in Romania, with an emphasis on the electoral mechanisms of gaining power; who has benefited from the enormous transfer of state assets and resources from public into private hands and finally, who are the ruling political elites, with a close eye on the social profile of the central and local political elites, who have responsibilities in decision-making, without omitting those from political parties.

The author's main hypothesis is that during political and economic transition in Romania, part of the local capital, which was placed in a marginal economic position compared to the foreign capital, chose direct

involvement in politics, taking control of the political parties from the hands of professional politicians and technocrats (p. 10).

Each of the chapters answers one of the research questions. To answer the first question stated above, the author analyses the electoral behaviour in parliamentary and presidential elections in the last twenty-five years using aggregate data at the local level, from the Central Electoral Bureau and National Institute of Statistics. Using the theory of social cleavages - which analysis the division of voters into voting blocs - the author states that, in Romania the most common social cleavages regarded the speed of economic reforms, which divided the parties and its voters into two sides: the minimalists, associated with the left wing parties, The National Front of Salvation, The Democratic Front of National Salvation and the Romanian Social Democratic Party, who preferred a more gradualist approach to economic reforms, supported by the managers and technocrats from the industry; and the maximalists, associated with the right wing parties/alliances (the right wing of the National Salvation Front, National Liberal Party, the Romanian Democratic Convention), who preferred a more radical approach to the economic reforms (shock therapy), supported by managers and technocrats from the financial and banking system. The second social cleavage was between the centre and the periphery in the electoral system. The centre was represented by the nationalist parties - The Greater Romania Party, Romanian National Unity Party - which favoured the unity and integrity of the Romanian territory, while the periphery was represented by the Democratic Union of Hungarians in Romania, promoting an agenda based on the protection of minority rights and cultural autonomy. If the second cleavage was present only in the first years of the transition, the first cleavage - between a right wing agenda and a more social-democratic one - was present until more recently. Due to the fact that voting preferences for one party or the other were determined by the economic performances of the government, until 2004 we had a great range of alternation to government. Since 2004, the Romanian voters were split into two sides: the pro Social-Democratic Party voters and the anti-Social-

Democratic Party voters, a remark which was previously marked out by Vladimir Pasti (2006). However, even if political power in democratic societies is won through free elections – so it is justified to study the electoral process *per se* –, the author fails to engage in the academic debates regarding the shifting of power between the legislative, executive and judiciary functions of the state. As some authors have shown, the government's engagement in the last decades with inter-governmental actors such as the EU, IMF or World Bank has created a political space in which governments accumulated more political power and influence over the Parliament. According to some scholars, such as David Harvey, this shift is a result of the 'neoliberal turn'. In his well-known book 'A history of neoliberalism', Harvey (2007, 66) states that: 'Neoliberal theorists are profoundly suspicious of democracy. Governance by majority rule is seen as a potential threat to individual rights and constitutional liberties [...] [Neoliberals] therefore tend to favour governance by experts and elites. A strong preference exists for government by executive order and by judicial decision rather than democratic and parliamentary decision-making'.

The second part of the book presents Romania's delicate transition to a market economy and the actors involved in this processes. According to the author, the loose strategic actors involved in the sketching of the transition's 'blueprints' – governments, political parties, international financial institutions (IFIs) and inter-governmental organizations (EU) – were all obsessed by one strategic action – the privatization of public goods and assets. Romania's fragile position in the European economy – its Current Account Deficit, its bad decisions in the past (e.g. austerity measure in the 1980s to repay the foreign debt, which had an impact on the shortages of services and goods and also on the lack of investments in industrial technology), left the governments with no choice than to appeal to the IFIs, especially the International Monetary Fund (IMF). The reforms imposed by the IMF reifies the macro-stability policies known as the 'Washington consensus' – the reduction of public deficits and inflation, the liberalization of exchange rate and more structural reforms, especially privatization of

public goods, with high social costs. Although, Romania surpassed all this structural deficiencies, and started having constant economic growth during the 2000s due to consumption, export policies, foreign direct investments and remittances, the current economic crises which started in 2008 has shown the weakness of Romania's economy, needing a 20 billion loan from IMF, UE, World Bank and BERD to redress a financial-banking catastrophe. Much of the loan was used to redress the foreign and fiscal imbalances and to avoid a sudden stop in capital inflows of the Western banks to their Eastern Europe subsidiaries. Also, some consequences for the public policies regarded the cutting of public salaries with 25%, the modification of Labour Code, frozen wages or the indexing of wages below the inflation rate (p. 214).

Since one of the most important policies which guided Romania's transition to a market economy was the process of privatization, the next part of the book identifies the marginal position of the local capital compared to the foreign one, by analyzing the first 130 companies by their annual turnover. Out of these companies, 95 are held by the foreign capital, 25 by the Romanian state and only 10 by Romanian shareholders. The foreign capital through strategic privatizations, foreign direct investment, occupies the 'commanding heights of the economy' (a term borrowed from Lenin) - the financial-banking sector, telecommunications, pharmacy industry and hypermarket chains, while the local capital is present in the more marginal and peripheral sectors of the economy - constructions, tourism, retail and real estate services, which are more prone to economic risks and political interventions/decisions (p. 229). Using a network analysis methodology on three important organizations that clusters the most important foreign companies in Romania - the Foreign Investors Council, the American Chamber of Commerce and the Romanian Banking Association -, Stănescu shows that we are dealing with a corporate community. However, the network analysis does not go into further details and tell us about the relations among the actors, nor how the actors are

positioned within the network or the density of it – how all actors from the network are tied to one another (Prell, Hubacek, and Reed 2009).

The last part of the book reviews the social composition of national and local political decision-makers. If during the 1990s, political parties were run by technocrats and professional politicians, after 2004, the number of politicians who became business man and the other way around has flourished. This is not a strange finding. As John Gledhill remarks for other parts of the globe, the ‘political field’ is dominated by two types of rules: the normative and the pragmatic ones; ‘the latter are the <real> rules of the political game, the rules of <how to get things done>’ (2000, 137). To gain access to economic resources and to maintain a relative power relation vis-a-vis the foreign capital, more and more local and national politicians gained access to state resources by starting their own business. This gaining in importance of local politicians in a once highly centralized state is explained through the larger processes that took shape in various stages since the fall of communism: the administrative and financial decentralization, which offered local politicians more economic resources for public spending (p. 282).

Although a critical assessment of Romania’s twenty five years of transition is well welcomed, the narrative of the book is often too simplified and one-sided. One of the book’s main conclusions that ‘the transition’s strategy to a market economy was not sketched by the political powers from Romania but by the international financial institutions’ (p. 324), leaves untouched the delicate relations between the latter and Romania’s governments and brackets the governments agency. As Pop-Elecheş book shows, IMF suspended some of its stand-by agreements with Romania due to the latter’s unorthodox policies. For example, due to constant pressures from the unions and the electorate, the Văcăroiu Government (1992-1996) maintained the subsidies to troubled state-owned enterprises (SOEs) in industry and agriculture and also boosting the living standards by allowing nominal wages to grow at a higher rate than inflation. To control the inflationary pressures, the Romanian government delayed the elimination of

foreign exchange restrictions and also accelerated the accumulation of quasi-fiscal deficits, by constraining state banks to offer generous loans to state-owned enterprises (Pop-Elecheș 2009, 226-227). Embracing a similar perspective, Cornel Ban (2014, 138) argues that until the coming into power of the right-wing coalition (1996), the government adopted more heterodox policies, trying to re-launch its industry, by according subsidized loans to state-owned enterprises, controlling the prices for the assets considered strategically for the industry – energy, rail transport – and setting up controlling mechanisms for a dual exchange rate. Văcăroiu opposed a full liberalization of the exchange rate, arguing that the export industry was dependent on the imports of intermediary goods, for which there were no local substitutes. On the same line of argument, Lucian Cernat assesses that during the first years of transition, the state banks ‘were <forced> to grant loans to SOEs at lower interest rates [acting] as quasi-fiscal agents of the state through interest-rate controls or, more directly, through directed credit programmes’ (2004, 458). As we can see, the governments own development strategies (a rather neo-developmental approach than neo-liberal) and electoral pressures shaped its economic policies. However, it is true that the current economic crisis has led to unprecedented centralization and intervention in the economic/financial sector by IFIs and EU, resulting in the fiscal compact, which left little room to nation-states for manoeuvrability in the social/public policies (through budgetary restrictions and austerity measures).

It will be interesting to study in the near future the consequences of this economic and fiscal governance on the (re)shaping of electoral behaviour in Romania – and of political power in a broad sense –, since it seems that nowadays, mainstream political parties, more often than not, pursue ‘more of the same’ macro-policies based on the subordination of the workforce to the big capital, budget cuts for public spending, and an overhaul of the Labour Code to (re)boost economic growth (Poenaru 2014), once again revealing that the ideological platforms of political parties in

Romania are very flexible and pragmatic. Until then, this book represents a good starting point.

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