

## THE IMPACT OF THE TRANSLATION OF KEYNES' WORK ON THE ROMANIAN ECONOMIC THOUGHT

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### ABSTRACT

*The objective of this reading guide is to present the main interpretations of Keynes' work as developed by Romanian authors. More, specifically, this guide aims to specify what shaped the result of translation through an analysis of the adaptation of economic ideas in the context of the most important features and trends defining Romanian economics and the Romanian economic thought before and the decade after the political and economic changes of 1989.*

### 1. KEYNES' GENERAL THEORY AND THE "NEOCLASSICAL SYNTHESIS" CONSENSUS

There is a consensus among the economists that the political economy idea diffused in Eastern Europe and the paradigm shift brought by them were defined in terms of a specific post-war development of Western economics known as neoclassical synthesis (Aligica & Evans 2008)

The angular stone of the paradigm was Keynes' *General Theory* (1936), an initially obscure book proposing a theory where involuntary unemployment was attributed to a deficiency in aggregate demand. After the Second World War, what was understood as "Keynesianism" was in fact a synthesis between neoclassical economics and the "orthodox" Keynes of the *General Theory* (Hall 1989). In the neo-Keynesian model the neoclassical model of Smith and Marshall was assumed to hold in the long-run while the Keynesian one was applicable in the short run and for situations when the economic situation was marked by sticky wages, liquidity traps and interest-insensitive investment. Neoclassical synthesizers like Paul Samuelson, Robert Solow, James Tobin, James Meade, J.R. Hicks and Franco Modigliani contributed to formalize Keynes' macroeconomic thought in an empirically based and mathematically coherent model. Decisive for the preeminence of the [neoclassical synthesis](#) was its public success and application during the Kennedy and the Johnson administrations.

As inflation increased in the late 1960s, the empirical success and the theoretical foundations of the neoclassical synthesis began to be increasingly questioned. Monetarists like Milton Friedman and Anne Schwartz criticized Keynes' theory of gluts based on a policy of government intervention. They contended that an excessive supply in the quantity of money by the central bank is the most important cause of inflation, and that the inconstancies of monetary policy are responsible for the cyclical fluctuations of the economy (McCallum). With the stagflation of the mid- 1970s the monetarist offensive against Keynesianism was complemented by two new schools of thought: supply-side and new classical macroeconomics. Supply-side economics argued that high taxes were a major drag on the economy and that the top rates could be reduced without a significant loss in revenue, contrary to Keynesians' charge that budget deficits would increase demand and push the inflation rate to still higher levels (Gwartney). Robert Lucas, Thomas Sargent, Neil Wallace and other new classical economists rejected Keynes' view that recessions occur when aggregate demand falls—largely as the result of a fall in private investment—causing firms to produce below their capacity. They stressed the causal role of supply-side shocks, such as technological revolutions, raw

materials, price spikes and radical changes in the organization of production: employment, like output, would rise with favourable shocks and fall with unfavourable shocks (Hoover).

## 2. IMPACT OF KEYNES TRANSLATIONS ON ROMANIAN ECONOMIC THOUGHT

.In pre-1989 Romanian economics, Marxism-Leninism was the official and unchallenged economic paradigm. Romanian Marxist-Leninist economic thought confined itself to two major objectives closely inspired by the official line: (1) the critique of .bourgeois economic thinking and of the capitalist system and (2) the search for the proper means to achieve the transition from capitalism to socialism and later to communism (Aligica 2002, p. 152).

According to Paul Dragos Aligica, the impact of Western economic literature was rather limited. Romania never managed to get a set of Romanian translations of the classic economics authors' standard texts. The Romanian Academy initiated a series of translations, but only David Ricardo, Adam Smith, Friedrich List, and John M. Keynes were published before the series was brought to a halt (Aligica 2002).

Western economic texts inclusive of Adam Smith and Keynes were however by no means unavailable and a restricted group of experts could use them. The use of Western literature has been obscured by the fact that most economists did not cite it for fear of political persecution (Bockman & Eyan 2002, p. 328).

In fact some leading Romanian economists imported Western methodologies (e.g. input-output analysis) used in the neoclassical synthesis. Such methodologies were even integrated in the planning techno-structure as tools for dealing with the challenges of planning an increasingly complex industrial and agricultural modernization program (Ban 2011). The result was the development of an input-output model for Romania's communist economy, an enterprise that demanded considerable local innovation in the translation process. Yet methodology was not the only terrain of encounter. In 1957 the mathematician and economist Egon Balas (1922 -) proposed a synthesis of Keynesian and Marxist-Leninist economics via the incorporation of such Keynesian concepts as "underemployment equilibrium" into the Marxist critique of capitalism that was celebrated in the press.

Yet public critique of the country's development strategy could lead to demotion or marginalization even if the critique was formulated using Marxist positions (Aligica & Evans 2008, p. 40). When Balas published a book that undertook a Marxist critique of Keynesianism, he lost his academic job, the book was withdrawn from circulation and the author was denounced as [revisionist bourgeois-cosmopolitan](#).

The Cybernetics' Institute established in 1972 by Manea Manescu, Ceausescu's premier, had a crucial role in diffusing Western economics literature. In the institute, professors Gheorghe Preda and Moisa Alter organized seminars that discussed the latest debates in Western economics and especially the rise of monetarism and new neoclassical economics. In these seminars grew professionally the young generation of economists who came to occupy key positions in the academia and in public policy after 1989, as Daniel Daianu, Theodor Stolojan, Mugur Isaescu, Lucian Croitoru, Cornel Tarheacaand and Valentin Lazea (Aligica 2002, p. 165; Ban 2011)

After 1989, Keynesianism was advocated by Vasile Pillat and Eufrosina Ionescu. In debating problems with implementing neoliberal ideas in the transformation process, both authors blamed price liberalization in a market with large monopolies and oligopolies as the prime cause of the serial breakdown of a large slice of the state-owned industrial sector after 1989. Ionescu used the contributions of the neo-Keynesian Joan Robinson to warn against the likelihood that such economic reforms in Romania could only lead to yet another form of the Western oligopolistic market. Pillat pleaded for a synthesis of Keynesianism and the Romanian inter-war economist Mihail Manoilescu, that he called "national economy theory" (Ban 2011). However it was only in the late 2000s that a generation of young scholars began to publish studies inspired by Keynesian ideas (Caraiani 2007; Ciurila & Murarasu 2008).

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