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Romania: Draconian Economic Policies□□□

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Summary:

An analysis of Ceausescu's economic austerity and his continued efforts to reinvigorate the economy through consumer spending.

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President Ceausescu has virtually eliminated Romania's external debt, but at high cost. Import cutbacks, energy shortfalls, and capital stock deterioration have constrained real average annual industrial production growth from 1985 to 1988 to about 1 percent. Similar difficulties in agriculture and unfavorable weather have limited gains in farm output. Consumers have borne the brunt of the regime's austerity program—in Eastern Europe, only Albania has lower living standards.

The President probably will continue to put the burden of reinvigorating the economy on consumers. In outlining the plan for 1991-95, he is expected to give modernizing industry, maintaining export growth, and increasing foreign exchange reserves high priority. Although Ceausescu probably will pay lipservice to improving living standards, he is unlikely to devote significantly more resources to the consumer goods sector. With the debt paid off, however, the regime can shift resources relatively rapidly from the external sector to the domestic economy, if needed, to dampen unrest.



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