

# THE REFORM OF NATIONAL SOCIAL-ECONOMIC SYSTEMS AND EUROPEAN REFORM

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## Abstract

*The paper proposes to analyze from a national and European perspective the reform possibilities of public policies which regard the social-economic sphere. We thus take into consideration the analysis of the public policies' evolution regarding the health system, pensions system, demographic stimulation and the undertaking of key-structural reforms for economy and administration. Resources marked as necessary for a reform are burdened by new challenges emerged on the international agenda: a new economic crisis with starting point in China, managing evolutions on fuel markets, managing the refugees exodus situation which forces the European Union's frontiers, etc. Establishing social-economic security at national level as well as in the European Union depends on the pragmatism of economic and social policies as well as on the courage to start a reform.*

**Keywords:** reform, health system, national security, public policies, demography, long-term economic sustainability.

## 1. Introduction

As we undertook in 2012, the year in which the crisis phenomenon became chronic (through the papers published at CKS 2013 and 2014) we drew attention on the exponential increase of the planet's population while the global resources were continuously decreasing. Resources entail time for discovery, conservation and usage, whilst time for all of these calls for a long period without major conflicts. The economic system represents a total of elements which interact and form a distinct unity. The systematic approach is also available for characterizing social life. Real social activity cannot be reproduced "on segments", but as a whole which consists of diverse contradictory processes, connections and elements. In economy, the principals of systemic analysis have been used since the second half of the 20<sup>th</sup> century, simultaneously with the emergence of economic cybernetics. Approaching economy as a wholistic systematic formation permits the accomplishment of shaping and managing the social-economic processes. Social-economic systems are complex and difficult to administrate because man, in the role of subject and object, comes with a changing multitude of needs, interests and motivations of behavior. Given that social life is multilateral, it divides in subsystems: economic, political, social, legal, ideological, social and family, as well as a cultural and moral subsystem<sup>1</sup>. The actual historical order in society is determined by the institutional system, whereas world peace is insured by the functionality

of the cultural, ethical and moral subsystem. Achieving a risky incursion in the maintenance of a "healthy" state for the moral subsystem as part of the social-economic system is exactly what the authors are aiming. The dynamics of social development is reflected in science rather contradictory. Among the conceptions on humanity evolution, the theories of development are emphasized on one hand in two varieties: a "single-linear" determinant development of K. Marx, I. Schumpeter and a "multi-linear" development (communist ideologies followers) and on the other hand the genetics theories, according to which society is moving from one step to another by means of transmitting an unchanged "genetic code" (A. Smith, K. Menger) or a changed one (T. Malthus, T. Veblen). In the 21<sup>st</sup> century, with a background of historical challenges which endanger the very future of humanity, a vital necessity is represented by the global change (on a world level) towards a new quality of human social activities, towards development and security. Under the influence of environment factors (weather conditions, geographical position, regional organizational particularities aimed at ensuring human necessities), informal institutions have emerged and affirmed: household traditions and stereotypes, religious habits and norms, peoples' ethics and moral principles. Throughout history, empirical accumulation and natural selection of informal institution have been produced: „unwritten laws, observed by people without being questioned and often without being understood, which were transmitted from one generation to another as something natural and imperative for community

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<sup>1</sup> Păun, Mihai. Analysis of economic systems, All Publishing House, 1997, pages 19-20.

members”<sup>2</sup>. These norms are maintained, transmitted and insure historical sequencing in social-economical development and national character. Under these circumstances every nation forms a distinct entity with a well defined individuality level. Nevertheless, in the current social, political and economic situation, globalization no longer represents an attempt of economically unifying countries in one entity and, instead, seems as an attempt towards an un-natural blend between cultures, norms, traditions, degree of development, etc.

## 2. Content

*We aim to analyze from a national and European perspective the reform possibilities of public policies which concern the social-economic sphere. An analysis of public policies' evolution regarding health system, pensions system, demographic stimulation and the undertaking of structural key-reforms for economy and administration.*

### 2.1. Health system reform

Ensuring population health represents the main objective of any health system<sup>3</sup>. The health system of any country must involve respect for individuals (confidentiality and autonomy) and guiding the sick people through prompt services and superior quality equipments. Health systems are defined by the dominating financing method and those used in the European space are as follows: Bismarck classic system, Beveridge type national health system, Semasko type centralized health securities system, private health securities system.

A financing system was created in our country for the medical act consisting of public and private resources in order to stand on equal chances for medical services and insuring equity in the matter of payment of delivered services. The Romanian health system represents a combination of the above mentioned systems. Health can also be calculated through sub-indicators such as: life expectancy, morbidity and mortality. Each European state has developed its own financing mechanisms; all systems are grounded on a combination of financing sources, however the majority is (directly or indirectly) controlled by the state, as health systems in the European Union are financed by public contributions and direct contributions. The systems; main objective is to distribute costs for medical services between the sick and the healthy persons. No health system is exclusively state owned, primary medical care combines private liberal

medicine with public medicine in the majority of the countries in the European Union. The European Union countries<sup>4</sup> have an agreement, a mechanism of solidarity according to which health cannot be left only under the action of the market's mechanisms. Thus, national governments have the responsibility to organize healthcare services and to guarantee such are properly delivered. The European Union has the role of completing national policies through measures of the following nature:

- Aiding Member States in achieving common objectives;
- Generating scale savings by sharing resources;
- Aiding Member States in answering common challenges such as pandemic, chronic diseases or the pressure that health systems are facing in the context of increased life expectancy.

The European Union's policy which was implemented through the health strategy, aims at the following:

- Prevention – especially by promoting a healthy life style;
- Ensuring access to quality healthcare services for everyone;
- Approaching serious threats on health which affect an increasing number of European countries;
- preserving a good state of health along with aging;
- Promoting dynamic health systems and new technologies.

Actions specific to the EU:

- The EU establishes norms and standards practicable in the entire Europe regarding medical products and services as well as patients' rights;
- The EU places at the disposal of Member States instruments that facilitate collaboration and identification of good practices;
- The EU finances projects through its program in the health domain.

**Preventing diseases.** The EU supports diseases preventive actions . For example:

- Promoting responsible food products labeling in such way that consumers are aware of what they consume;
- Taking measures against breast, uterine and rectal cancer, by carrying out screening programs in the entire Europe, supplying orientation for treatments quality assurance, sharing knowledge and resources;
- Taking measures for promoting physical activity and healthy diets, encouraging governments, NGOs and the industry to work together and help citizens with changing their life style;

<sup>2</sup> E. Feuraș, Institutional environment: shaping, functionality, reshaping, ASEM, Chișinău, 2001, page 91.

<sup>3</sup> PRACTICA MEDICALĂ – VOL. 3, NR. 3(11), AN 2008116 IPRACTICA MEDICALĂ REFERATE GENERALE Sisteme de sănătate europene Dd. Ec. I. BĂRLIBA, Spitalul de Urgență „Sf. Spiridon”, Iași și Prof. Dr. GEORGETA SINIȚCHI Universitatea de Medicină și Farmacie „Gr. T. Popa”, Iași.

<sup>4</sup> European Commission General Direction of Communication – Informing citizens 1049 Bruxelles BELGIA, Manuscript actualizat în noiembrie 2014.

- Combating smoking by elaborating the legislation regarding tobacco products and by carrying out programs for awareness, promoting and sponsoring.

**Preventing diseases.** The EU supports national governments to more efficiently getting prepared for fighting against threats on health which affect more countries and to better coordinating reactions. The European Center of Disease Prevention and Control, with headquarters in Stockholm, evaluates emergent dangers in order to allow the Union the possibility to rapidly react. The Center collects information related to existing threats and collaborates with similar institutions in Member States for implementing European systems for monitoring diseases.

**Pharmaceutical products.**

All medicinal products in the EU must be approved nationally or at EU level, prior to being launched on the market. The safety of a medicine traded in the EU is monitored throughout its entire life cycle. If it is found dangerous, rapid measures are taken: sales are suspended or the marketing authorization is withdrawn. The European Commission, national authorities and European Medicines Agency (EMA), with headquarters in London, play an important role in this system. EMA comes to support national regulators by coordinating activities of scientific evaluation of the quality, safety and efficiency of medicinal products.

**Research and innovation.** Through its research program, Horizon 2020, the EU will spend, between 2014 and 2020, approximately 7.5 billion Euro for research actions meant to improve European health systems<sup>5</sup>.

**Abroad treatment.** The EU takes measures to support patients in getting healthcare services abroad, in cases when this is imperative or easily achieved: for example, if the nearest hospital is situated on the other side of the border or if a specialized treatment is available only abroad. The right of citizens of the EU to benefit from treatment in another Member State is clarified by the EU legislation regarding patients' rights within cross-border healthcare.

The European card of social health securities facilitates access for citizens to medical services if they become ill during a trip in another country member of the EU.

**International cooperation.** The EU collaborates closely with strategic partners such as the World Health Organization in regard to improving medical services worldwide. To this end, they finance research projects, support development, increase access to medicinal products etc.

## 2.2. The pension system's reform

It is well known that everywhere in the European Union the pensions system's reform faces strong opposition from the people, as it can be seen in countries such as Spain, France and Greece. For instance, Spain is the country that fully felt the financial shock impact of the economic crisis that emerged in 2008. The country faced an unemployment rate of 23%, the real estate market's crash and an increased level in the people dissatisfaction. In 2011 it was forced by European organisms to reduce its budgetary deficit by 6%. In spite of this, in 2013, Spain adopted a package of economic reforms and austerity budgetary measures. The radical measures came as a result of concerns that the country could enter bankruptcy on financial markets.

More than ten strikes of large proportions took place in France<sup>6</sup> against the pensions reform in 2010, especially for increasing the minimum retirement age by two years, from 60 to 62 and of the legal retirement age from 65 to 67; these strikes lasted from March to October, and included several millions of employees in the public and private sectors, severely affecting sectors such as education, urban public transport, SNCF, telecommunications, French petroleum refineries. The organizers were convinced the reform was not adapted for financing pensions, similar to previous reforms which failed to solve the problem (Balladur in 1993, Fillon in 2003 or the 2007 special regimes reform). A number of 615 amendments were filed by the presidential majority and by the opposition, among which the 249 amendment as well, which requested for a rapid alignment of special pensions regimes for government and parliament members.

As far as Greece is concerned, the country was heading towards the edge of the cliff in 2015, being one step away from bankruptcy. Being excluded from international bonds markets, the country was close to reaching payment incapacity and called to a new installment of funds from the aid program. In this context a series of European countries requested that Greece would be excluded from the euro zone. Greece intended to adopt a profound reform in the financial field in general and in particular in the incomes derived from pensions.

In Austria the retirement age starts from 65 years of age for full pension, 62 years of age for early retirement in the case of unemployed persons, while employers in „long careers” retire between 57 and 62 years and persons working in “shameful” conditions retire after 60 years of age without any penalties. In Italy the early retirement system called “seniority pensions” allowed people to retire after 35 years of activity regardless of age and without penalties. In

<sup>5</sup> [http://europa.eu/pol/health/index\\_ro.htm](http://europa.eu/pol/health/index_ro.htm)

<sup>6</sup> <http://necenzuratmm.ro/social/42414> - Thomas Csinta

spite of all these, the Italian government<sup>7</sup> increased the age of retirement without generating protests, especially because of trade unions segregation. This reform is based on a progressive increase, starting with 2015, of employees' retirement age from private and public environment, depending on life expectancy. Its principle was already present in a law voted in the summer of the year 2009, but the recently adopted austerity plan mentions the implementation methods. These measures would lead to allowing savings of 86.9 billion Euros until 2050, considering that the pensions system, reformed in 1995 and 2007, has reached a balance. Savings are welcome in Italy, which has an enormous public debt. According to estimates, between 2015 and 2050, the legal age would be increased from 65 up to 68 years and four months for men in the private sector and magistrates and from 60 to 63 years old and five months for women in the private sector, within the „age retirement” which sets forth a minimum of 20 years of tax payment. For „senior retirement” which sets forth a minimum of 35 years of tax payment, the retirement age is expected to increase from 62 to 65 years and four months. On the other hand, the new measures do not apply to people who have paid taxes for a period of 40 years, who can retire even if they do not reach the legal retirement age.

Should we take into account the MMGPI<sup>8</sup> (The Mercer Melbourne Global Pension Index) in regard to different systems of pensions regimes which dominate the global system (with the following characteristics: 40% adequacy, 35% sustainability and 25% integrity out of the total index), in the year 2010 the situation was as follows:

**Table 1: Countries' position according to MMGPI**

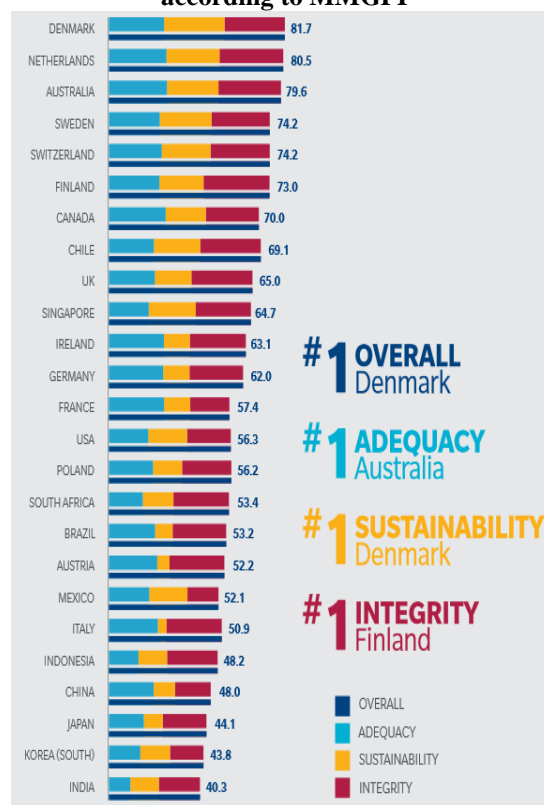
| Country       | Position |      | Overall Index Value | Sub-Index value % |       |       |
|---------------|----------|------|---------------------|-------------------|-------|-------|
|               | 2010     | 2009 |                     | A 40%             | S 35% | I 25% |
| Netherlands   | 1        | 1    | 78.3                | 76.1              | 71.6  | 91.4  |
| Switzerland   | 2        | -    | 75.3                | 73.1              | 71.8  | 83.5  |
| Sweden        | 3        | 3    | 74.5                | 72.8              | 72.9  | 79.5  |
| Australia     | 4        | 2    | 72.9                | 68.1              | 71.7  | 82.4  |
| Canada        | 5        | 4    | 69.9                | 75.0              | 56.8  | 80.1  |
| Great Britain | 6        | 5    | 63.7                | 64.9              | 47.1  | 85.3  |
| Chile         | 7        | 7    | 59.9                | 52.1              | 54.7  | 79.8  |
| Brazil        | 8        | -    | 59.8                | 72.9              | 29.1  | 81.7  |
| Singapore     | 9        | 8    | 59.6                | 43.7              | 63.6  | 79.5  |
| USA           | 10       | 6    | 57.3                | 54.3              | 59.0  | 60.0  |
| France        | 11       | -    | 54.6                | 74.9              | 29.7  | 56.8  |

Source: <http://necenzuratmm.ro/social/42414>

The Netherlands occupied the leading position, having the highest integrity rate and the smallest adequacy, followed closely by Switzerland. The two leading countries had an index exceeding 75, while France occupied the 11<sup>th</sup> position with an index of approximately 50. Currently (for the year 2015), according to the Australian Center Financial Studies (MERCER), the situation presents Denmark in a leading position<sup>9</sup>, with an index exceeding 80, followed by the Netherlands, while France is placed on the 13<sup>th</sup> position, immediately after Germany, with an index little over 50.

Actually the most recent European Pensions Classification made public, carried out by Aon Consulting, reveals that retired people in Denmark, Estonia, Ireland, Latvia and the Netherlands benefit of a well organized pensions system with one of the highest living conditions from the civilization standpoint. Over 95% of Danish pay taxes to private pensions funds, thus adding to the incomes obtained after retirement. The Danish pensions system represents a success also because of the high age until which a person can work. Not as far from Romania, in Bulgaria, the first facultative private pensions fund was created in the year 1994 and the mandatory pensions funds were initiated in the year 2000.

**Illustration 1: The most developed countries according to MMGPI**



<sup>7</sup> Online news, July 29, 2010.

<sup>8</sup> <http://www.globalpensionindex.com/wp-content/uploads/Melbourne-Mercer-Global-Pension-Index-2015-Report-Web.pdf>

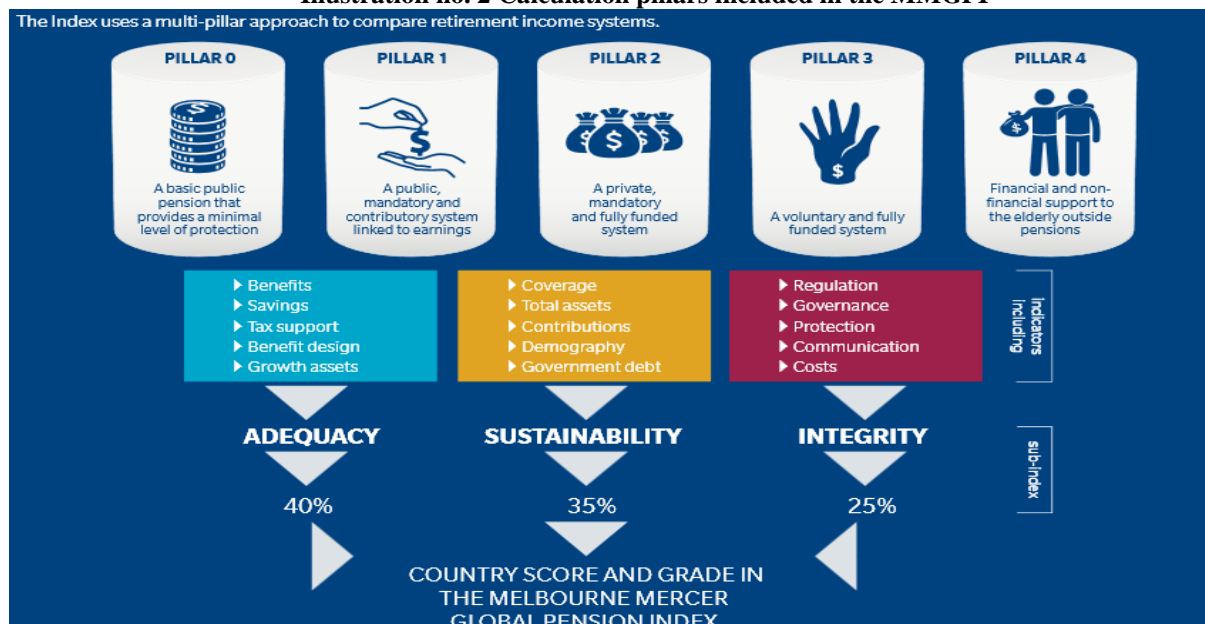
<sup>9</sup> <http://www.mmuncii.ro/pub/imagemanager/images/file/Integrare/Danemarca.pdf>

Source: <http://www.globalpensionindex.com/wp-content/uploads/Infographic.pdf>

The pensions system in the Netherlands is considered to be on the first places in the EU<sup>10</sup> (as it can be seen in Illustration 2). The Netherlands can afford to pay strong pensions without endangering

sustainability of the public pensions system is reached only by adjusting either benefits or contributions. Moreover, in recent years it has been noticed that adjustments made to benefits (pensions) have generated temporary corrections in the public budget, but have not changed the pensions system,

**Illustration no. 2 Calculation pillars included in the MMGPI**



Sursa: <http://www.globalpensionindex.com/wp-content/uploads/Infographic.pdf>

the system's equilibrium. By comparison, Romania has one of the weakest performance indicators in the Union. An analysis made on the indicators shows that the system is unbalanced: we pay pensions a lot higher than the system can support. The Netherlands has the best and most balanced pensions system among all countries in the European Union. At least that is what has been revealed by the results of a research made by specialists from the National Institute of Scientific Research in Labor Domain and Social Protection under the Ministry of Education. The Dutch system is a multi-pillar one, as well as the Romanian one. Pillar I provides a basic universal public pension, which means that all people with ages above 65 have access to this basic public pension, under the sole prerequisite of being that residents, and not that of having been tax payers. In order to obtain a complete basic pension one must live 50 years in the Netherlands. In Romania, in order to optimize the public pensions system<sup>11</sup> it is not enough to simply make corrections in the explicit debt of public pensions, but to implement policies in rapport to the „implicit public duty”<sup>12</sup> in the public pensions system. Under these conditions we could overcome the phase in which the financial

the configuration of which depends too much on electoral elections and too little on the economy. Furthermore, interventions in the pensions system through which a budgetary balance was aimed, were filed against in court so that their effect is obscured and we thus return to the same reference system. The international practice<sup>13</sup> demonstrates that in some countries a fund reserve of public pensions plays the role of a “bumper” for balancing the public pensions system. In other states, the same type of fund is used both as a bumper as well as for savings and payment. Thus, in France, the fund reserve (established in 2002) has the role of contributing to the PAYG scheme's sustainability (Law nr. 2001-624 of July the 17th, 2001). In Ireland and New Zealand the reserve fund plays the role of „tax smoothing”, meaning that it covers future deficits, without the right for withdrawals to be made sooner than a certain term. In Japan the system is more liberal, the reserve fund predominantly has an accumulation function and implicitly an investment function. In South Korea, Sweden and Norway the reserve funds are for accumulation, being oriented towards moderate or low risk investments.

<sup>10</sup> [http://www.ier.ro/sites/default/files/pdf/SPOS\\_2011\\_-\\_nr\\_4\\_anexe\\_RO.pdf](http://www.ier.ro/sites/default/files/pdf/SPOS_2011_-_nr_4_anexe_RO.pdf)

<sup>11</sup> Nicolae Mardari și Valentin M. Ionescu <http://www.contributors.ro/wp-content/uploads/2012/10/studiu-pensii-Institutul-Ordoliberal.pdf>

<sup>12</sup> Carmen Radu, Liviu Radu “Resursele umane în contextul crizei economice” CKS 2014.

<sup>13</sup> Robert Holzmann, Robert Palacios and Asta Zviniene: op.cit. 2004.

### 2.3. Demographic stimulation or a collapsing EU?

Romania as well as the entire Europe<sup>14</sup> is facing serious demographic problems and somber perspectives. A problem that in 15-20 years will create difficulties for the labor market – as labor force, as well as health and pensions budgets – increasingly expensively supported from the state budget. Nevertheless, public policies lack the perspectives which should be the concern of the officials' that have a medium and long view. The few measures that are actually taken are rather of social support than of strategic policy, unless they are purely electoral. In few cases they are accompanied by impact studies and a scientific analysis. Changes on a demographic level<sup>15</sup> have a significant impact on the lives of Europeans. In 2014, there were 507 million regular residents in the European Union. This number represents little over 7% of the total world population, a percentage almost two times smaller than it was approximately five decades ago.

The structure and profile of the EU's population have changed considerably, mainly due to: lower fertility indications; changes in the family forming patterns; the desire for larger personal independence; changes of men and women's responsibilities; higher migration levels; higher geographical mobility and an increase in life expectancy. These demographic changes have led to changes in families' characteristics and have generated: a decrease in average sizes of households; different forms of living relationships and a record number of people who live alone. As a consequence, there are considerable differences in the way we currently live as opposed to 50 years ago and it seems that the future decades will continue to produce important changes considering that, for example, the aging level of the EU population is progressively increasing. Indeed, it is estimated that the growth rhythm of the EU population will continue to decrease, thus it is anticipated that in the following 30-40 years the total number of people regularly residing in the EU will stagnate and, possibly, start to decrease.

Also, as we showed in the 2014 article<sup>16</sup>, in 19<sup>th</sup> century England, the well-known mathematician and demography specialist Thomas Robert Malthus, made some predictions regarding the intensification of economic crises caused by overpopulation. In his study, „An Essay on the Principle of Population” from 1798, Malthus predicts humanity's collapse

through the fact that „the population's force highly exceeds the earth's capacity to ensure resources necessary for human subsistence”. We then emphasized the planet's increasing population with all the consequences which derive from this, while today we ask ourselves if an inversely proportional rapport exists between the degree of economic development and the population growth. Unfortunately history has confirmed these concerns.

Between the years 2007 and 2011 a very large number of refugees entered European territory without legal documents. The majority of immigrants com from the Middle East, Africa and South Asia. According to the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union<sup>17</sup> (FRONTEX, operational from the year 2005), we are currently facing the biggest refugees wave since World War II. According to the same source emigrants mostly come from Syria (28%), followed by Eritrea, Afghanistan, Mali, Gambia, Nigeria and Somalia<sup>18</sup>.

The more developed a country is, the more its birth rate is dropping and the older its population is. In this context, Germany is counting on integrating millions of immigrants in order to cover the labor deficit and to maintain economic growth in the following decades. According to German expert's estimations, Germany's active population will decrease by six million people by the year 2030, in the context of a decreased birth rate. The labor force deficit risks generating problems for preserving the German economy rhythm. In spite of all these, the wave of immigrants will not be so easily assimilated. Although some immigrants, especially those arriving from Syria, are higher education graduates, approximately 20% are illiterate. In this case, the immigrants risk making the social situation in Germany more difficult. The number of beneficiaries of social aids could increase with almost 500 thousand.

### 3. Conclusions

The current global recession, the increasing interest rate in the USA, as well as the increasing oil prices and the disappearance of large companies listed on the international stock markets – startups, most of them in technological domain, evaluated at 1 billion dollars at least – are some of the predictions

<sup>14</sup> Juan Yermo, quoted paper.

<sup>15</sup> Vasile Ghețău, directorul Centrului de Studii demografice al Academiei Române.

<sup>16</sup> Carmen Radu, Liviu Radu “Resursele umane în contextul crizei economice” CKS 2014.

<sup>17</sup> Cooperation between national border authorities. Frontex is headquartered in Warsaw, Poland. In 2011, following an assessment of the activity of Frontex and in response to the requests from the European Council regarding the increase of its role and operational capacities in fighting against illegal immigration (also in the European Pact for Immigration and Asylum adopted in 2008 and the Stockholm Program adopted in 2009), the original document for creating Frontex was amended, further increasing the possibilities for this agency to strengthen cooperation.

<sup>18</sup> [http://publications.europa.eu/resource/cellar/b8253170-cd6a-48c5-9a6a-2b91d31f7374.0014.02/DOC\\_1](http://publications.europa.eu/resource/cellar/b8253170-cd6a-48c5-9a6a-2b91d31f7374.0014.02/DOC_1)

made by economists and financial analysts for the year 2016. In Europe, the main political economic threat will be, as it is easily observed, the refugees' exodus.

The highest risk which European states might face in the year 2016 is represented by the refugees' crisis<sup>19</sup>. „We consider this to be the biggest threat the European Union has ever faced. The terrorist attacks in Paris have increased risks regarding the refugees' crisis impact, which could cause political changes in the EU, or in consumers' behavior regarding expenditures. Any of these changes could negatively affect the investors' view regarding the European economies' evolution and corporations' profit". The American investments fund manages assets of over 100 billion dollars and is held by 2,200 clients worldwide. As a result to recent concerns on an international plan, investors have become more alert to the possible implications the refugees' crisis might have on European states and capital markets in general.

The Brexit threat. According to the pro-European Open Europe organization, the probability that Great Britain leaves the EU with the current parliament is of 17%. Most British people would vote in a referendum that their country remains in the European community. A survey carried out for The Times shows that 34% of voters would choose the EU, as opposed to 18% who would prefer the Brexit. Also, the support for organizing a referendum decreased two years ago from 58% to 50%. The problem is that 32% of the voters mention they could be influenced by either side. Another survey, carried out for a well-known daily newspaper, suggests that 45% British people would vote in favor of the EU, and 38% against it. However, the results of British elections, which came as a shock for the majority of market research firms, show how unreliable these surveys are. As the above mentioned daily newspaper remarks, considering that the surveys were not able to reflect the popularity of conservators, they probably fail to capture the entire frame of hostility towards immigration, which is a sensitive problem in Great Britain. It is likely that many people do not admit in front of interviewers that they feel uncomfortable living next to an immigrant neighbor. We must mention that many British publications have clear positions regarding the Euro zone and the EU and that they would not hesitate, any time they have the chance, to criticize European institutions.

It is considered that the law required for organizing a referendum in Great Britain could be approved until June 2016, which will make plebiscite possible in July or September 2016, at the end of the summer vacation. One of the reasons for organizing the plebiscite next year is that the most

important negotiators, France and Germany, will be occupied with their own elections, a factor which will influence the number of concessions that they would make to London .

The Brexit perspective has been received with coldness by finance and business communities. In a survey in which 2,600 executives from 36 countries participated, conducted by Grant Thornton, almost two thirds of the respondents mentioned that England's leaving the EU would have a negative impact on Europe. By comparison, 45% of them mentioned their concern that the Grexit would harm the EU economy. A serious amendment of European treaties is highly unlikely, however it can be assumed that the British Prime-Minister could obtain a few concessions through negotiations, perhaps for rules regarding immigrants or voting rights.

However, if Greece leaves the Euro zone, the probability will increase that Cameron's government obtains more of what it demands. The ambitious European project will be in difficult to manage state, should the monetary union lose one of its member states. Losing one of the largest economies could be dangerous for the EU. The Grexit depends on the integrity of a monetary union of 19 members, which does not include Great Britain, while the Brexit strikes the integrity of the EU, the largest commercial block in the world. Greece has a small economy and a reduced population. Great Britain is the second largest economy in the EU.

On the other hand, it is considered that Great Britain will not have too much to lose should it leave the EU as Switzerland and Norway are not members of the EU and yet their economies are prosperous. England can negotiate free trade agreements with the EU, but in which the dominant force would be EU. Also, without England, Germany's political and economic domination in the EU will be higher. It is very likely that the Brexit accelerates the Scotland's parting from the Great Britain. In any referendum, the Scottish would probably choose to continue being a part of the EU. Also, if Great Britain leaves the EU, it risks becoming a smaller player in a globalized world.

Although the word Grexit is on everyone's mind, the probability that Greece will leave the Euro zone is low. The Syriza government party has renounced on some of the promises with which it had allured the electorate, such as cutting a part of the country's debt and stopping austerity. The Euro zone, CEB and IMF have never said they would not support Greece. The majority of analysts agree that the Grexit would be harmful mainly for common Greeks that after the damage caused by austerity will also have to support the damage of reconfiguring an economy that no longer receives external financial support. Simultaneously, Greek banks and their

<sup>19</sup> According to the chief of investments with the american private equity fund Bessemer Trust, Rebecca Patterson - <http://www.profit.ro/stiri/economie/criza-refugiailor-principala-amenintare-politica-si-economica-in-europa-in-2016-14473386>

subsidiary abroad will encounter problems in keeping clients and their deposits. However, the Euro zone has sufficiently recovered in order to resist the shock waves produced by the Grexit.

Along with the refugees' crisis, the global economy is facing a new recession which this time is based on China's deceleration economy<sup>20</sup>. It is considered that we find ourselves one strong shock away from a new global crisis which could most likely emerge from China, where factors such as over-debt, aging population and excessive investments undermine economic growth. In case of a new recession, Eastern European and South Asian states that have a relatively low level of public debt appear to be better positioned for facing changes determined by the next cycle of economic growth. Not all analysts share the opinion according to which China's transition from an export based economy to an economy supported by internal consumption will generate a chain reaction strong enough to reverse economic growths on the world level. „I do not believe we will experience the Chinese economy's forced landing<sup>21</sup>. The labor market remains balanced on mostly all segments. Even if the gross domestic product advances by 5.8%, the Chinese economy will create new work places, especially in the sector of services based on intensive manual labor. In addition, it is less likely that China's financial sector will enter a crisis, taking in consideration that the majority of industries are supported by the government". Nomura company has recently reviewed as strongly decreasing the estimation regarding Chinese economy in 2016, from 6.7% to 5.8%.

As regards the growth of the monetary policy interest rate in the USA, most analysts anticipate that the Federal Reserve (Fed) will increase the interest in more phases over the following year. USA's 10 years bonds performance will increase and reach a level of 2.6 – 2.8% a year by the end of this year, with assets of 20 billion dollars.

Large differences in Fed and European Central Bank's (ECB) policies will probably be encountered. The first will waver interest rates in a few steps next year while the latter will extend the balance of assets even more than it has announced up until now.

The majority of economists anticipate good performances in 2016 for the companies listed on the stock exchange market, especially for blue-chip shares and those in the banking industry. On the other hand financing for startups which invest in new technologies might be reduced starting next year, and many companies might not survive to a public offer on the market. In the last two years, Greycroft Partner reported earnings of 2.6 billion dollars from portfolios sales.

Just as important, the oil price will recover until a level of approximately 60 dollars per barrel in 2016, and the main growth catalysts will be the governments of the major oil exporting countries. It is also possible for the prices of natural resources to grow, especially due to political reasons. Sovereign investment funds, such as the ones in Norway and Saudi Arabia, have already started to report decreasing assets and the process will be reversed since authorities cannot afford to register fluctuations at state reserves level. The oil price for will probably stabilize around 60 dollars/barrel.

The European Union is facing a major paradigm change, which is perhaps the biggest change since its creation. The EU can choose between two models: the first implies the reformation of actual structures while maintaining the identity of the 28 Member States (one of Great Britain's basic requirements in view of Brexit); the second, much more radical model regards a profound unification of all European structures eventually leading to the creation of the United States of Europe.

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<sup>21</sup> Yang Zhao, chief at Nomura Holdings, financial division for the Nomura Japanese group.



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