THE FINANCIAL-MONETARY POLICY OF THE EUROPEAN UNION TOWARDS ROMANIA

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ABSTRACT
Monetary policy is that component of economic policy, aimed at influencing the money supply and lending conditions, and the institution responsible for achieving this objective is the Central Bank. The main goal, the ultimate goal of monetary policy is, in the economy of any country, price stability. Price stability means avoiding inflation and prolonged deflation without negatively influencing other branches of the state economy. Regarding the convergence criteria, it is desired to increase the annual harmonized index of consumer prices below the 2% threshold for the euro area.
The purpose of this article is to present the financial-monetary policy of the European Union towards Romania as well as the perspectives on future policies, knowing that a possible renunciation of its own currency, practically the only markets left for adjustments would be the labor market, the goods market and fiscal policy, thus there is a risk that in the absence of control over changes in interest rates and exchange rates.

KEYWORDS: *financiar-monetary policy, European Union, Romania.*

1. INTRODUCTION

The European Union is a developing concept, which aims to unite the powers of the states on the European continent, but also to help developing countries (Jianu et al., 2019). This is possible by increasing the degree of cooperation between Member States and by the observance of mutually agreed rules by those States (Burlacu et al., 2019).
The rules are created and supervised by the institutions of the European Union (European Commission, European Parliament, European Central Bank, etc.), in collaboration with the institutions of the 27 Member States. These institutions also deal with the implementation of strategic policies, which are manifested through program projects (Angheluță et al., 2019). These projects are financial instruments, used to help developing countries evolve in a favorable way. But for a correct evolution from the economic point of view, and not only, the implementation of these programs is not enough, but other financial and monetary instruments are used, which will fulfill the supreme objective of the monetary financial policy, namely maintaining price stability (Bodislav et al., 2020).

2. PROBLEM STATEMENT

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Monetary policy is that component of economic policy, aimed at influencing the money supply and lending conditions, and the institution responsible for achieving this objective is the Central Bank.
The main goal, the ultimate goal of monetary policy is, in the economy of any country, price stability (Bran et al., 2018). Price stability means avoiding inflation and prolonged deflation without negatively influencing other branches of the state economy (Profiroiu et al., 2019). Regarding the convergence criteria, it is desired to increase the annual harmonized index of consumer prices below the 2% threshold for the euro area.
To achieve this goal, the following main tools are used in Romania:
- money market operations,
- permanent facilities
- minimum reserves for credit institutions

Money market operations are:
- ordinary refinancing operations - through which the national central banks are credited.
- long-term (monthly) refinancing operations - usually granted to small banks for a period of 3 months
- structural operations - performed through standard tenders
- fine-tuning operations - used in order to reduce the effects of changes in liquidity on interest rates (repo operations, or foreign exchange swaps)

Permanent facilities
- marginal lending facilities - whereby the National Central Banks provide institutions with liquidity at interest rates higher than short-term market rates in exchange for assets
- Lombard deposit facilities / facilities - facility through which banks can deposit liquidity with the National Central Banks at short-term interest rates, lower than those on the market.

The required reserve system is used in order to stabilize interest rates and ensure the necessary liquidity for banks and financial institutions. Banks are obliged to deposit sums of money with the Central Bank, to make deposits at a lower interest rate than on the market. These deposits are like provisions to protect banks from the risk of running out of cash in the event of adverse events.
The level of minimum required reserves is calculated for each financial institution by applying a formula that must be observed by law.
All these tools are used in monetary policy, and they lead to the desired results only if the influence of the fiscal field is taken into account through the measures taken.
Experts believe that inefficient financial markets impede the proper functioning of the interest rate and credit channel, limiting the central bank's ability to fine-tune the economy and may lead to excessive dependence on the exchange rate channel in the aggregate demand management process.
That is why it is necessary to correlate monetary policy with financial instruments, especially with the system of taxes and fees, because otherwise imbalances can occur that are difficult to manage in the economy.

3. FINDINGS

As the European Union's programs are not efficient to evolve sufficiently from an economic point of view, if no efforts are made by Romania, some conditions have been imposed, rules that must be observed, in order to be possible for Romania to change to the euro (Alpopi et al., 2018). This transition is in fact a proof of the fact that the economic situation in Romania has evolved enough, so that it is at the same level as that of the developed countries in the Union, which is desirable, therefore great efforts are made to be respected. the conditions imposed (Bran et al., 2020).
The adoption of the euro will only be possible if both the nominal convergence criteria set out in the Maastricht Treaty and the real convergence criteria are met.
The nominal convergence criteria refer to:
- inflation level

- the level of the budget deficit,
- the level of government debt,
- the level of the long-term interest rate,
- exchange rate stability.

Inflation in Romania had a favorable evolution, from 45.7% in 2000 to below 5% in 2007. But, in 2008, the massive increase in energy and food prices led to a significant increase in inflation. After that, with the manifestation of the effects of the global economic crisis, but also with the increase of indirect taxes and administered prices in order to stabilize the economy in that period, a high level of inflation remained constant.

3.1 Real convergence criteria

Real convergence does not refer to the degree of development and proximity of a country to the economic performance of the Eurozone. In order to analyze the degree of real convergence obtained by Romania, as well as by the other developing member states, the following indicators are used:

- GDP / inhabitant (measured in Euro);
- Work productivity
- The structure of the national economy;
- Export / inhabitant;
- Gross capital / inhabitant formation.

The evolution of GDP in relation to the number of inhabitants is the most important indicator that must be respected in order to be able to switch to the single currency. In Romania, at the level of GDP / inhabitant, remarkable progresses were registered 300% (according to the statistics of the National Institute of Statistics, from 1809 Euro / place in 2000 to 5428 Euro / place in 2009). However, the level of gross domestic product per capita is well below the European Union average.

In order to increase the level of Gross Domestic Product, it is necessary to increase the flow of foreign direct investment resulting in an increase in investment capital and know-how, but the economic situation strongly influenced by the economic recession, it is difficult to achieve this phenomenon. - a short or even medium time interval, because foreign investors are not willing to accept the risks involved in the economic situation in Romania, even if investing in this country brings many advantages, the most important being the low price of labor.

The structure of the branches of the national economy is another important indicator of the real convergence, in our country the economy based on agriculture and trade predominates, while in the Eurozone countries these branches are not predominant in the economy.

In terms of foreign trade, although it has increased in recent years, it is low compared to strong European states, or even compared to other neighboring states that were part of the communist regime.

4. CONCLUSIONS

It is very important to mention that the countries that have adopted the disinflation process must choose the necessary instruments and their correct use, so that the conflict with the financial stability is avoided.

Our country has managed this for a period, ie achieved an average disinflation rate of 5.8 percentage points per year in the period 2000-2007, and has managed to maintain in parallel the stability of the financial system. However, this has not been respected since the 2008 crisis, as disinflation has not been achieved.

Another criterion of nominal convergence refers to the level of the budget deficit. Budget deficits in Romania before 2008 were below the required level of 3% of GDP. As expected, after the onset of the economic crisis, they have risen every year, from 2008 to the present, both due to declining incomes (largely driven by declining consumption) and driven by declining GDP.

The level of government debt is instead a fulfilled criterion, in fact it is the only nominal criterion respected by Romania. Despite the fact that statistics show growth from a low of 12.6% of GDP in 2007 to over 30% of GDP at the end of 2010, debt has not reached the critical level of 60% of GDP. The increase in the level of government debt was possible due to the reduction of GDP and the increase in loans obtained to finance deficits. Although the level of debt is respected, we must also take into account the fact that a large part of these loans are in the euro, ie they present a risk of increase in case of a considerable depreciation of the national currency.
Regarding the exchange rate of the leu, it appreciated during 2007, when a rate of 3.2 Ron / Euro was registered. But after the crisis, the national currency depreciated rapidly, with the national currency becoming volatile. The exchange rate was also influenced by political events, so that currently the exchange rate registers values of 4.8-4.9 Ron / Euro..

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