
THE ROMANIAN POLITICAL ELITES IN THE CONTEXT OF THE GOVERNMENTAL REFORMS FROM 2025

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Abstract: *The following essay analyzes the aspect of reforms undertaken by the Bolojan cabinet in Romania. The main argument of this paper is that Romania is led by a political class which is extractive in its nature, even though the state has created inclusive and economic formal institutions. Namely, this class, through a combination of its position, influence, corruption practices and institutional building, extracts rents from the great mass of the society on its own advantage as a minority. This practice, of rent extraction, permits this class to stay in place and reproduce, by clientelism, not merit, resulting in reluctance to reform and, in the Romanian case, to spending cuts. The theoretical framework adopted is the new institutional economics, more exactly the one advanced by Daron Acemoglu and James A. Robinson, who argued that political and economic institutions matter and make a difference regarding the success or failure of the economy of a given state.*

Keywords: *Elites, institutions, extractive institutions, inclusive institutions,*

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INTRODUCTION

This paper will concentrate on the aspect of reforms undertaken by the Bolojan cabinet in Romania. The main argument is that Romania is led by a political - and its administrative subordinate - class which is extractive in its nature, even though the state has created inclusive and economic formal institutions. Namely, the political-administrative class, through a combination of its position, influence, corruption practices and institutional building, extracts rents from the great mass of the society on its own advantage as a minority. This practice, of rent extraction, permits this class to stay in place and reproduce, by clientelism, not merit, resulting in reluctance to reform and, in the Romanian case, to spending cuts. This paper will base its theoretical framework on the new institutional economic approach, more exactly the one advanced by Daron Acemoglu and James A. Robinson, who argued that political and economic institutions matter and make a difference regarding the success or failure of the economy of a given state.

CONTEXT

Since November 2024, the Romanian society and politics seems to be in a continuous crisis. First, there was the first tour of the presidential elections that were annulled by the Constitutional Court of Romania based on suspicions of fraud in the electoral process by a candidate - i.e. Călin Georgescu (Curtea Constituțională a României, 2024) -, an outsider, until then unknown for the great mass of the electorate, and with far right views and discourse. Therefore, the entire electoral process had to be started from the beginning. The annulled elections sparked protests from the far right supporters, sovereignist movement and figures, protests that were provoked and organized by some figures such as George Simion, a former competitor in the annulled elections and the president of the Alliance for the Unity of Romanians (AUR), the second party resulted from the last parliamentary elections (Prezență vot, 2024). After the parliamentary elections from 1st of December 2024 a new so-called pro-European cabinet resulted, led by Marcel Ciolacu, the president of the Social-Democratic Party (PSD), alongside with National Liberal Party (PSD) and the Democratic Alliance of Hungarians in Romania (UDMR). The new government had to deal with a high budgetary deficit, of 9.3% from GDP (Ministerul Finanțelor, 2025) and to organize the new round of presidential elections that were held on 4th and 18th of May 2025. Despite some efforts to cut the deficit by the Ciolacu 2 cabinet (Portal legislativ, 2024), the process was resumed by the newly formed cabinet led by the current prime minister Ilie Bolojan, from the PNL, in alliance with PSD, USR (Save Romania Union) and UDMR. It should be mentioned that the Bolojan cabinet emerged after Nicușor Dan, a pro-Western candidate, won the presidential elections from May 2025. Ilie Bolojan came with the promise and assumed mission to cut the budgetary deficit by raising taxes, such as the VAT, cutting privileges of the political class or other public expenditures that drained the state budget. Some of the measures, such as the public investments programs raised opposition in the governmental coalition, namely from the social-democrats, the first place party in the parliament and with many mayors at the local level.

NEW INSTITUTIONAL ECONOMICS

The new institutional economics approach concentrates on the influence of institutional settings for economic outcomes. Among others, some influential figures in the present are Daron Acemoglu and James A. Robinson, who studied and emphasized the importance of political and economic institutions for the economic outcome of a state. To bring into the forefront some views about this matter, according to Douglass C. North the institutions are “the rules of the game”, with organizations as participants (North, 2005, p. 22), being created by humans to constrain their behaviour (North, 1990, p. 3). Adrian Miroiu regarded institutions as „a network of norms, rules (formal and informal) which shape the interaction between humans” (Miroiu, 2016, p. 17), with a non-material, but ideatic existence, as shared community ideas of “values, ideals and beliefs” (Miroiu, 2016, p. 155).

Acemoglu and Robinson have created a classification for institutions, extractive or inclusive: extractive economic and political institutions and inclusive economic and political institutions. Extractive economic institutions are designed to extract prosperity from the great mass of the society in the advantage of an elite minority. Other characteristics include low work and business incentives for the population, a low performative education system, weak property rights (especially in communist systems) or lack/few public services to stimulate economic growth. Inclusive economic institutions are characteristic to market economy and function in the advantage of the large mass of the population. In contrast with the other type of institutions, the property rights are guaranteed by a



powerful state, the education system is performative, people have strong incentives to freely choose working and business activities according to their talents, while the state is able to provide for public services capable to foster economic growth. To sustain all of these requirements a strong state is required, as a key part to sustain inclusive economic institutions (Acemoglu & Robinson, 2020, pp.106-110). As key components for inclusiveness are technology and education, acting as prosperity engines. The technological component acts as productivity enhancer, while education offers the expertise required for the new technological advancements (Acemoglu & Robinson, 2020, pp. 111-112).

The economic institutions are created according to the kind of elites in power, democratic (inclusive) or dictatorial (extractive). Political elites can create economic institutions that are in their advantage, at the expense of the large part of the society (for the extractive elites), while the inclusive elites prefer to create economic institutions with equal chances for the society as a whole. Therefore, economic institutions are designed depending on the character of the political group in power. If the power of the elites has few limits and is reserved for a minority or a single person, therefore the political institutions are absolutist, therefore extractive. On the contrary, the political institutions are pluralist if the political power is shared with other actors. However, in order to be inclusive, the pluralist political institutions need a sufficiently centralized state with the monopoly of power on the entire territory, to enforce law, ensure public services and regulate economic activity (Acemoglu and Robinson, 2020, pp. 114-116).

For the Romanian case, formally, Romania has all the inclusive institutional framework, both from economic and political perspectives. Born in the transition from Communism to democracy, the inclusive institutions were adopted gradually, also with Western influence, in the context of the efforts of Euro-Atlantic integration from the 1990s and early 2000s (Preda, 2024, cap. 9). The Romanian authorities after 1989 created a market economy and a democratic regime, with peaceful power transitions through elections, as well as guaranteed private property (Preda, 2024, pp. 305-313). This paper argues that, paradoxically, despite creation of inclusive political and economic institutions at a formal level, Romania has informal extractive institutions, especially in economic terms, and an important component here is the problem of corruption. Corruption is problematic because, in recent history of Romania, a lot of controversial political figures or local businessmen managed to gain political power or to influence the political realm.

THE BOLOJAN CABINET, REFORMS AND ELITE RESISTANCE

To illustrate the argument that Romania has an extractive elite, this paper concentrates on the reforms taken by the Bolojan cabinet, aimed to stabilize the state budget and reduce the deficit, and the reactions against them. As mentioned before, the budgetary deficit for 2024 was 9,3%, above the EU established level of 3% (Consiliul European, 2025). Therefore, the PM Ilie Bolojan and his cabinet assumed the mission to reduce the public spending, tax collection and optimize the state budget. Therefore, his efforts of cutting the budgetary deficit were confronted since the beginning with opposition of those affected.

In the last years, the problem with the deficit became acute in Romania, as the government spends more than it collects. In the public sector there is a lot of waste, as, for example, a lot of boards of directors or even directors from the state companies have between their members politically appointed figures with high salaries, while at the administrative level, the local authorities waste money every fiscal year. These are only a few examples to illustrate the causes of deficit in the public finances of Romania. It is worth mentioning that the judiciary system is not analyzed here, as



this branch has other characteristics than the political one, even though there are some issues to be discussed, such as the early retirement of the magistrates or their special pensions.

To cut the deficit and collect new taxes the Bolojan cabinet prepared three fiscal reform packages. The first package was designed for the great mass of the population, involving new taxes for health insurance, gas and VAT raise from 19% to 21% etc. (Cârlugea, 2025). This package generated a lot of protests in the society, which has the sentiment of paying for the mistakes of the politicians. The second and third reform packages are still under discussion at the moment of writing this paper (August 2025), as their provisions are planned to deal with the privileges and facilities from the public sector, such as public administration reduction, personnel reduction for the central administration, salary cuts for the leadership positions (planned to be reduced) in the state companies (which are planned to be restructured) or reduction of special pensions for the judiciary system etc. (SAR, 2025).

Another disputed issue was the national investments program Anghel Salighey, initially planned to be suspended by the government. The program destined for local investments is seen as a linkage point between PSD and local administration in the country. As in March 2025 were approved almost 4000 local development projects of a value of 40,8 bln. lei. As the Bolojan government aims to cut the local administration costs, advanced the idea to continue only the projects with high degree of execution, providing only 2 bln. lei from 18 bln. required by the local authorities. The Anghel Saligny was a “red line” for PSD and its leaders threatened to leave the government coalition and fiercely criticized the decision (Stoica, 2025). In four years, only 4% of Anghel Saligny projects were finished, as PSD is the largest beneficiary of those projects, followed by PNL and UDMR (Digi24a, 2025). The decision to cut the Anghel Saligny investments generated dissatisfaction at the local level, as one mayor from Slatina affirmed to “fight” for the continuation of the program (Digi24b, 2025), while other mayors expressed their revolt and threatened to withdraw their support (Digi24c, 2025).

A last example is related to the scandal of minibuses, purchased by the local authorities through funds that came from the Recovery and Resilience Plan, with prices of over two or three times above the real value. Concretely, 1300 instead of 3200 electric minibuses were purchased with double or triple the price than the European Commission estimate, with more than half of the contracts to one company (Mazilu, 2025). As the press revealed, the company with over 60% of the contracts is owned by a person whose mother is the leader of the Prahova county women organization of PNL, closed to Iulian Dumitrescu, a corrupt local politician from PNL. The estimated price was 90.000 Euro, while the price paid was 200.000 Euro (Moraru, 2025). Even though this affair is not a reaction to the Bolojan reforms, but is a corruption act perpetrated by persons closed to PNL, the party of the prime minister and represents a case of extractive behaviour of the politicians.

The reactions around the reforms planned by the Bolojan cabinet can offer a shallow illustration of the extractive nature of the Romanian politicians, at central and local level, especially in economic terms. However, as Acemoglu and Robinson suggest, there is a symbiotic relation between politics and economy. Politicians create and sustain economic institutional frameworks that permit them to buy influence and stay in power. Even though Romania has, on paper, the entire institutional framework of inclusive political and economic institutions, in reality, at the informal level the situation is more nuanced. By economic means - Anghel Saligny program, or minibuses purchase - the Romanian politicians, both at local and central level, extract resources destined to the benefit of the larger part of the society in a minority interest. Even though at the facade, macro level, Romania has inclusive economic institutions (market economy, private property), at the micro,

informal level, the Romanian economic institutions are marked by an extractive character perpetrated by politicians.

CONCLUSION

This essay dealt with the reactions to the reform plans implemented or planned by the Bolojan cabinet. Using the theoretical perspective of new institutional economics in the view of Acemoglu and Robinson, the paper argued that Romania is led by a political-administrative class which is extractive in nature, at an informal level, in terms of economic rent seeking from the society. The political-administrative class still uses corruption practices such as fraud, while attempting to preserve its economic privileges. By rent extraction, this class can stay in place and reproduce by corrupt means, not merit, thus the reluctance to reform, which affects their position in the society. The opposition reactions to the reforms planned by the Bolojan cabinet and reluctance to change, both at the central and local levels can represent an evidence that the political class attempts to preserve its economic position and their rent seeking advantage.



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