

SHORTAGE-DRIVEN INFLATION: CAUSES, EFFECTS, AND MODES OF MANIFESTATION IN THE SOCIALIST ROMANIAN ECONOMY

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Summary

The illusion cultivated by the doctrinaires of the socialist system was the belief that they could resolve the problem of economic disequilibrium [7]. In reality, the issue extended far beyond the imbalance of the economy; it involved the rewriting of all governing laws, including economic ones. The socialists lived under the conviction that their world was perfect—so perfect that it stood above individuals and their actions. History has shown that this was nothing more than a naïve and misguided form of arrogance. Hayek describes this mechanism of dictatorial conceit in his work *The Fatal Conceit: The Errors of Socialism* [10].

The communist authorities undertook a rapid and superficial classification of economic phenomena into “good” and “bad”: the “good” were those perceived as serving their ideological objectives, while the “bad” were those that did not. They imagined a perfectly stable economic system in which phenomena such as inflation and unemployment would not exist. The bureaucrats who governed this system even proclaimed that such issues were specific exclusively to capitalism. Reality would ultimately contradict them. Economic laws continued to operate even in contexts where official legislation sought to prohibit them.

The abrupt and forceful collapse of communism stands as evidence that the economy and its laws remain above human intervention. Inflation and its mechanisms of emergence and manifestation were no exception. Inflation silently eroded socialist economies, including that of Romania. Even though price increases were prohibited by law, inflation did not recede. Instead, it manifested in the form of shortage-driven inflation, which is characteristic of shortage economies. This is the focus of our analysis and the central question we seek to address: how was it possible for inflation to continue advancing even when it was explicitly forbidden by legislation?

Keywords: Inflation; shortage-driven inflation; socialism; capitalism; Romanian socialist economy; economic disequilibrium in socialism; price increases

JEL Classification: E31, P22, P21, E32, E61, E63

Introduction: What is Inflation and Shortage-Driven Inflation?

Depending on how the state approaches its economic instruments, national economies can be classified into two types: open economies, based on private property, freedom of movement of money and goods, and closed, centralised command economies, in which the state assumes the role of a dictatorship [11]. When discussing money, the communists did so in terms compatible with the imaginary world they envisioned—one that could exist and function without currency. The disappearance of money was planned to occur once the “just” communist society had prevailed. This may appear as the reasoning of the deluded. A contemporary young person could scarcely believe that such a utopian world ever existed. Yet it did. Unfortunately.

The aim of this study is precisely to address one of these utopias: the illusion that inflation can be stopped. In simpler terms, it is the illusion that the economy can be regulated by decree. In their utopia, the communists believed that they could enact legislation to combat inflation. They did pass laws, yet inflation proved impervious to legal intervention.

Both inflation and shortage-driven inflation represent types of economic disequilibria. Common inflation manifests in open economies, typical of free states. In this context, the inflationary imbalance is reflected through sustained price increases. In an open economy, inflation may be defined as a monetary-material disequilibrium, characterised by persistent and intense price rises over extended periods. Open economies display inflation openly; it is visible and measurable.

Conversely, centralised, closed economies tend to obscure inflation. In both types of economy, rising prices or the disappearance of goods from shops are the result of internal tensions. Price increases in an economy function similarly to body temperature in a living organism [24]. When something is amiss in an economy, prices rise; when something is wrong in a human body, temperature increases. Hence, price rises are the response of a living, free economic system to disequilibrium.

Shortage-driven inflation can be defined as a structural disequilibrium of an economy, characterised by the widespread and prolonged absence of goods from shops. It is termed “shortage-driven inflation” because it manifests in this strikingly unexpected manner, particularly for the theorists and practitioners of communism. While shortage-driven inflation may appear invisible, it is in fact highly conspicuous: empty stores and queues of consumers serve as its emblem. It represents a form of degradation of human agency, stemming from the mode of economic management imposed by communism. Indeed, shortage-driven inflation is characteristic of shortage economies. Centralised, socialist economies, governed authoritatively, are referred to as shortage economies. As their name suggests, they are economies of scarcity and deprivation. The mechanism of shortage-driven inflation is explained by János Kornai in his seminal work, *Economics of Shortage* [15].

Socialist Economies as Shortage Economies and the Development of Shortage-Driven Inflation

Socialist economies were essentially shortage economies that developed a particular type of inflation, known as shortage-driven inflation. **János Kornai** published his seminal work on this subject in 1980, providing a dispassionate analysis of socialist economies and explaining the mechanism by which these economies became and operated as shortage economies. It is important to note that the shortages he described were chronic, not incidental or temporary. The central argument advanced by Kornai is that socialist economies inevitably generate shortages because they lack the capacity to continuously adjust aggregate demand to match aggregate supply. Socialist economies represent a distinctive economic model in which the state intervenes completely and definitively, prioritising constraints over competitiveness.

Kornai’s model of the shortage economy is characterised by several features: total and imperative planning; administrative allocation of all resources; soft budget constraints; and the absence of a free market. The consequences identified by Kornai include poor product quality, chronic inefficiency, limited innovation—sometimes rendering innovation impossible—time lost standing in queues, corruption, arbitrary allocation of scarce goods, and latent social tensions. Socialism, as observed, was a failed system. Kornai documented and described this failure, concluding that it could not be salvaged by ad hoc adjustments.

Shortage-driven inflation accompanied the shortage economy. Its main characteristics included: the disappearance of goods from shops; unequal and off-market allocation of sought-after goods; the establishment of alternative standards of value beyond the monetary unit (for instance, cigarettes and coffee became well-known parallel currencies in socialist Romania); the development of black markets where scarce goods were significantly overvalued; a flight from the national currency due to its loss of purchasing power; and social instability and anxiety arising from money that had lost its functional utility, with shops remaining empty.

In practice, what the communists actually did was to forbid prices from rising. However, goods did not remain available in the market—they “hid” behind shop counters. Price stability was a primary objective of the socialist planner, but it was never achieved in reality. Perfectly stable prices remained an unattainable aspiration. By misunderstanding the function of money, the communists lost the battle over its management. Price pressures continually mounted, necessitating “re-adjustments”. The term inflation or price increases was prohibited; instead, euphemisms such as

“re-adjustment” were employed to conceal the harsh reality: the economic laws of supply and demand still operated, even under socialism [3].

In essence, the disequilibrium between aggregate demand and aggregate supply persisted. Socialist economies were not dynamic systems in which supply and demand adjusted to generate prosperity [14]; they did not operate according to the principles of a living, adaptable, and flexible economy [13]. For a rational economist, a perfectly stable commodity market is inconceivable; for a socialist planner, conceiving the suppression of inflation was equally impossible—or perhaps it existed only in their imagination.

The economy, and its immutable laws, responded to the bureaucrats’ dilemma. Lacking a price mechanism through which imbalances could manifest, the disequilibrium translated into shortages of goods in stores. Continuous demand could not be met by a constrained supply. Consequently, goods disappeared from shelves even before delivery. The paradox is that prices remained relatively stable, yet goods vanished. This reflects the effect of maintaining purchasing power amid growing aggregate demand: purchasing power, misaligned with the balance of supply and demand, emptied the shelves. Thus, the illusion of stable prices collided with the economic law of dynamic equilibrium between supply and demand. The disappearance of goods from stores was explained by communists in various ways. In Romania, the most common explanation was the Ceaușescu-era policy of uncontrolled export growth. While this partially accounts for the decline in domestic supply, it does not fully explain the phenomenon. The shortage-driven inflation reflected structural imbalances inherent to the socialist economic model, beyond simple export policies.

Victor Jinga’s Analysis of Shortage-Driven Inflation in Socialist Romania

The Romanian economy, like other socialist economies, fell victim to economic centralisation and the misallocation of resources amid the maintenance of high demand and fixed prices. Shortage-driven inflation was ever-present. Consequently, the entire socialist economy, wherever implemented, faced chronic shortages. The absence of goods was a structural feature, whether concerning consumer durables or food products.

When analysing shortage-driven inflation, one moves beyond the conventional framework of capitalist economies, which operate according to principles of economic freedom, accumulation, and expansion [16]. Unmet demand constitutes the classical manifestation of this phenomenon. Victor Jinga described the mechanisms of shortage-driven inflation in the context of Romania. Nothing differed; the patterns mirrored those observed in all socialist economies. The notion that economic tensions can be concealed through fixed prices is intrinsic to socialism. Lies cannot endure: it is not humans who determine economic laws, but rather economic laws that govern human life. Theoretically, if every country and government could construct their own economic laws independently, all states might achieve economic success, and the persistent underperformance of socialist states would no longer occur.

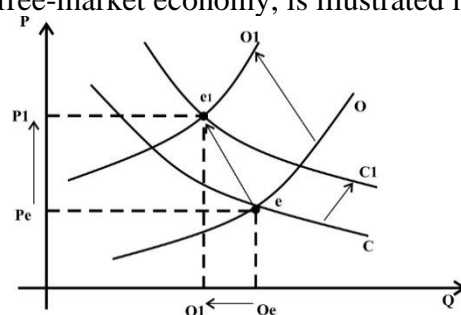
We are now in the opposite scenario: a centrally controlled, closed economy, managed by bureaucrats who believed they could replace market forces with administrative oversight. This was the enduring illusion of socialism over centuries. Socialists assumed they could engineer a perfect economy and society in a laboratory, beyond the natural framework, even overriding the genetically influenced human brain. This assertion reflects the view that human selfishness is inherent and can only be constrained within a legal framework.

Shortage-driven inflation can thus be defined as the process of stripping money of its value—a disequilibrium between aggregate demand and aggregate supply—which no longer manifests through intense and widespread price increases, but rather through the disappearance of goods from shops. This occurs because, within such economies, prices are no longer free to reflect supply and demand imbalances, but are fixed and administratively managed. Regardless of what socialist bureaucrats believed or attempted, the disequilibrium had to manifest in some form [16].

When authorities eventually permitted price liberalisation, prices surged abruptly and sharply. This was the case in Romania immediately after the 1989 Revolution, when the accumulated pressures of prior distortions translated into an explosive rise in prices. Socialism is not immune to inflation. Although Victor Jinga documented the phenomenon to the extent possible at the time—perhaps even beyond what could safely be stated—the intensity of inflation in the Romanian socialist economy was considerably greater. Furthermore, the inflation observed was driven not only by excess demand but also by declining supply. The Romanian socialist economy experienced near-constant shortages throughout most of its existence [16], with conditions in the final decade of central planning becoming particularly dire. An economy cannot be governed solely by paperwork or illusions of perfect equilibrium and a perfect world inhabited by perfect individuals. The social world is inherently unstable and imperfect, just as the physical and biological worlds are. As emphasised, whether statist or free, all economies are subject to the same governing laws.

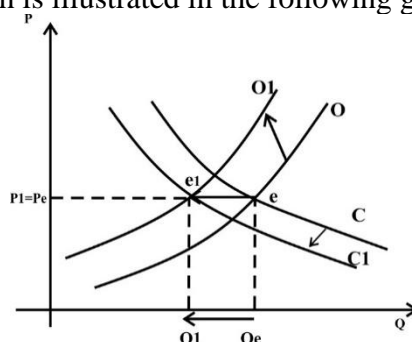
A Graphical Representation of the Shortage-Driven Inflation Model

The generalized rise in prices or the disappearance of goods from shops are two facets of the same phenomenon, which we term inflation. In a free-market economy, a shock in the money or goods market is transmitted through price increases or decreases. The situation in which demand rises and supply falls, within a free-market economy, is illustrated in the following graph 1:



Graph 1 : Alteration of Market Equilibrium through an Increase in Demand and a Decrease in Supply in a Free-Market Economy

As can be observed, prices and quantities in the market are variable, and the market tends to re-equilibrate around an equilibrium point. In cases where prices cannot fluctuate due to administrative fixing, the situation is illustrated in the following graph:



Graph 2: The Pressure to Rebalance Demand and Supply under a Fixed Price Regime

In this case, market tensions are fully absorbed through a reduction in the quantity of goods available. This effect is amplified when the sole mechanism for rebalancing the system is the quantity of goods in the market. This phenomenon constitutes shortage-driven inflation. In practice, socialism attempted to conceal its inability to generate profitability by freezing prices.

Inflation in Socialist Romania: A Classic Case of Shortage-Driven Inflation

As previously emphasised, the failed Romanian socialism sought to conceal shortage-driven inflation but was unable to halt it [5]. This represents a classic case of both theoretical and practical deception. Those of us who lived through this period are well aware of its realities. In fact,

socialism never aimed to resolve issues of competitiveness or living standards. There existed a form of deliberate indifference, based on the notion that it was preferable for all citizens to remain poor rather than to allow a form of social differentiation based on wealth.

Scarcity was socialism's response to the human inclination to work and to acquire. Since Romanian socialism was a classical example of failure, it was dominated by a corresponding instance of shortage-driven inflation. While prices in the official goods market were fixed and administered by the state, the black market thrived continuously. There, prices were free and soared to unimaginable levels [5]. The black market acted as the true barometer of Romania's economy and society. Transactions were not based on prices set by office planners; instead, goods circulated clandestinely, and prices were extremely high and widely known. No one disputed or negotiated them, as every consumer desired a quality coffee, a good cigarette, or even a piece of meat in the refrigerator. High sums were paid because everyone had money, yet no one had anything to spend it on. For instance, and as a classic example, purchasing a domestically produced car required years of saving. Following payment, one had to wait several years for delivery—on average, four to five years. Incredible as it may seem, this was the reality.

The arrogance of communist planners lay in their ambition to design a world without money—a goal explicitly articulated in their writings. They recognised the potential danger, yet the foundations of their utopia were ultimately undermined by money itself. In other words, should the communists underestimate the role of money, the currency would inevitably betray them. The black market flourished precisely because prices there fulfilled their proper function as a medium of exchange and as a measure of value. Communist theorists even imagined a world and economy devoid of money. The utopian character of their beliefs operated in full force. Money, however, is perennial, intrinsic to a system of exchange across all eras. The notion that an economy can function without money is not only utopian but may appear whimsical and even humorous.

Shortage-Driven Inflation

Throughout its existence, the socialist economy of Romania faced inherent problems of productivity and competitiveness. However, the 1970s marked the surfacing of these issues. Revolutionary enthusiasm had waned or disappeared entirely. It was a moment when economic laws began to assert themselves. Like all socialist states, Romania was not spared from a severe shortage-driven inflation. This phenomenon became particularly pronounced after 1975, when the imbalance between aggregate demand and aggregate supply began to erode the national currency.

One of the major challenges of macroeconomic management is to maintain goods in stores at relatively stable prices that allow for consumption and a decent standard of living. Planned socialism failed to achieve this in Romania and elsewhere. Scarcity is an intrinsic feature of socialism. Socialist states that allowed elements of a market economy within the closed economic system partially resolved the problem of shortages, while those that did not permit such elements never resolved it. The effects on the social system and social relations were devastating. People do not live on ideas and cannot eat propaganda. For this reason, socialism collapsed quietly, acknowledging its inability to feed its own citizens.

The mechanism of action and development of shortage-driven inflation was not different from that of other socialist states, although the pressures varied depending on the level of openness of each socialist country. In Romania, the phenomenon manifested with one level of intensity, whereas in Hungary it appeared differently. Inflationary pressures were more intense in economies with a higher degree of isolation, due to the absence of mechanisms to externalise or dissipate asymmetries. Romania, in this regard, excelled in terms of extreme economic closure and isolation. Shortage-driven inflation in Romania was very intense. This is evidenced by the extraordinary severity with which the phenomenon manifested following the liberalisation of prices in 1990. This moment came as a surprise to those unaware of how tense and vulnerable the Romanian economy was. Prices increased within a short period by several tens of times. Consumers and producers

witnessed, helplessly, a form of price chaos. The years 1990, 1991, 1992, and 1993 were characterised by enormous inflation [6]. Another proof of the severity of shortage-driven inflation in Romania is the extent to which store shelves were empty at the time of the Revolution.

Shortage-Driven Inflation in Romania

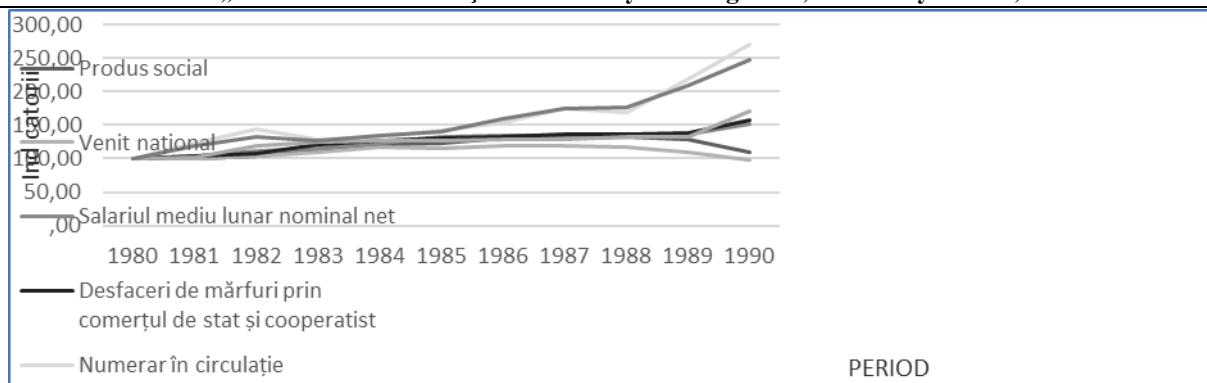
In our country, people simply suffered from cold and hunger. The characteristics of shortage-driven inflation in Romania were: the persistence of the phenomenon; its virulence; the devastating effects on the standard of living; the intensity of its explosion upon price liberalisation; the large gap between aggregate demand and aggregate supply; and its dual causation, resulting both from rising aggregate demand and declining aggregate supply. By the time of the Romanian Revolution in December 1989, the national economy was bankrupt, and society was on the verge of explosion. Shortage-driven inflation remains a prime example of the failure of socialism to manage economic contradictions and imbalances effectively. It is the main reason why the socialist economic system failed without exception.

Following December 1989, the Romanian economy faced a severe inflationary phenomenon, manifested through substantial internal price increases [6]. These price increases surprised the post-revolutionary leadership [22]. The governments in charge lacked both the expertise and experience required to combat the phenomenon effectively. Inflation was practically a general, paralysing phenomenon. This occurred because shortage-driven inflation quickly transformed into a pronounced open inflation. The tensions observed demonstrated a simple truth: inflation is not exclusive to market economies [2]. Already, public debate was dominated by these new concepts, with the term “shortage-driven inflation” [18] frequently employed [21].

In the debate, another concept also appears. Some authors, attempting to explain the same external manifestation of imbalances, refer to “repressed inflation” [23], a hidden, invisible type of inflation. Regardless of the terminology used, inflation was present. For accuracy in analysis, we prefer the term “shortage-driven inflation,” both for clarity and in respect for the eminent economist who introduced it, János Kornai.

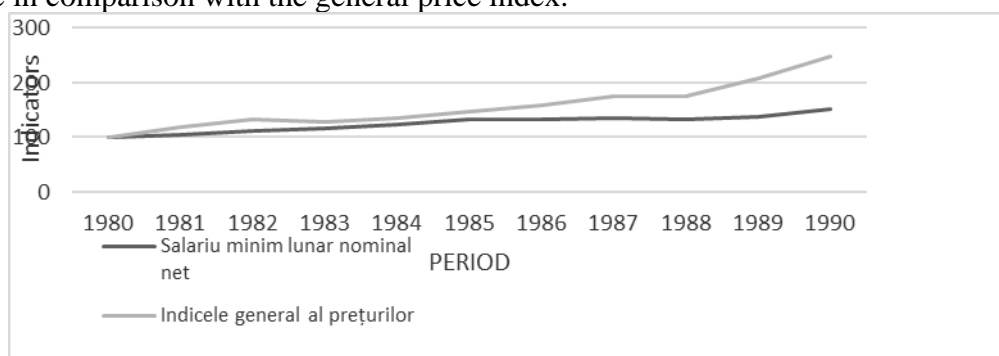
The phenomenon is straightforward: once the centralised management system is abandoned, shortage-driven inflation transforms into open, recognised inflation, with clear tendencies toward hyperinflation [9]. Romania indeed crossed the hyperinflation threshold immediately. There were periods when annual inflation exceeded 50%. For example, in 1993, inflation approached 400%, meaning that prices nearly quadrupled within a single year. Historical context makes these figures comprehensible. In attempting to characterise the type of inflation in the Romanian socialist economy, it can be shown [20] that even the political leadership of the time accepted, via planning, a 5% annual price increase [20]. Price stability between 1960 and 1989 was only relative. Inflation in Romania reached 350–400% (i.e., prices increased more than fourfold). For instance, the price of pork in 1960 was 12 RON/kg, while in 1989 it was 42 RON/kg, and the price of a tram ticket increased from 0.25 RON to 7 RON. The socialist era was effectively eroded by this hidden inflation.

In this context, many of the tensions of the period were absorbed into inflation [8]. In fact, a major imbalance between demand and supply is one of the conditions formulated by J. M. Keynes for the existence of inflation. Shortages were characteristic of the era. Currency, specifically the national currency, RON was replaced with alternative currencies. One of these, clearly identified by Silviu Cerna, was the “cigarette currency.” Silviu Cerna metaphorically refers to this period as the “era of the cigarette currency” [4]. During periods of severe shortages, resale at surcharges [17], queues, and even waiting lists [1] became common.



Graph 3-The Evolution of Romania's Aggregate Economic Indicators during the Period 1980–1990

The above graph (Graph 3) is particularly illustrative in this regard. It shows that the social product increased by 110% (+10%) in the final decade of the socialist economy, whereas the national income in 1990 represented only 98% of its 1980 level (-2%). This reflects the consequences of the flawed policy of extensive development pursued in the Romanian economy. The overall trend of these two indicators, although both increasing, with the growth rate of the social product consistently exceeding that of the national income, reinforces this observation. The crisis in the Romanian economy is further evidenced by the evolution of the average nominal net monthly wage in comparison with the general price index.



Graph 4-The evolution of the net nominal average monthly wage and the general price index

Table 1 – Evolution of Selected Economic Indicators and Monetary Circulation during the Period 1961–1989
-%-

Period	Average annual growth rate			
	1961 - 1970	1971 - 1975	1975 - 1980	1981 - 1989
National income	8,4	11,3	7,2	2
The monetary incomes of the population in the socialist sector	8,7	8,8	10,3	5,8
Retail sales of goods through the socialist trade system	8,8	8,2	7,9	3,8
Social labour productivity (national income per employed person in material production)	8,2	10,2	6,7	1,6
Average remuneration of the working personnel	4,8	4,3	7,1	3,6
Cash in circulation	10,4	12,6	13,2	7,6
Total balance of deposits at the State Savings Bank (CEC)	29,2	16,2	16,9	9,3

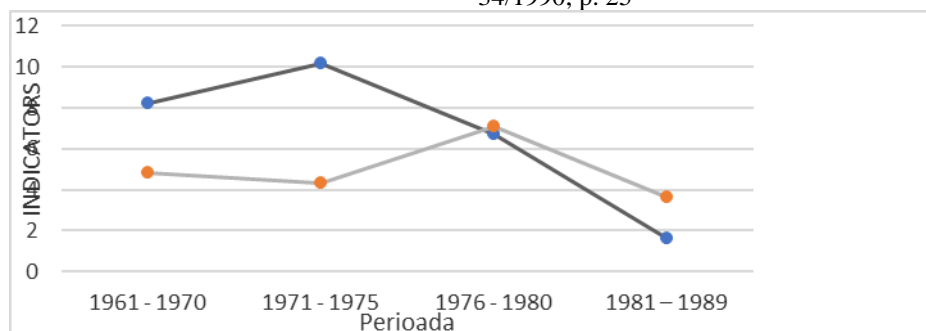
Velocity of cash circulation – number of turnovers per year (in the last year of the period)	10,1	8,5	7,6	6,9
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Source: Gheorghe Manea, Pavel Wagner, *Monetary Circulation and Inflation*, *Tribuna Economică* Journal, no. 34/1990, p. 25

Table 2: Evolution of Average Growth Rates of Social Labour Productivity and Remuneration of Workers, 1961–1989
-%-

Period / Indicators	1961 - 1970	1971 - 1975	1976 - 1980	1981 - 1989
Average growth rate of social labor productivity	8,2	10,2	6,7	1,6
Average growth rate of wages of working personnel	4,8	4,3	7,1	3,6

Source: Gheorghe Manea, Pavel Wagner, *Monetary Circulation and Inflation*, *Tribuna Economică* Journal, no. 34/1990, p. 25



Average growth rate of social labor productivity / Average growth rate of social labor productivity

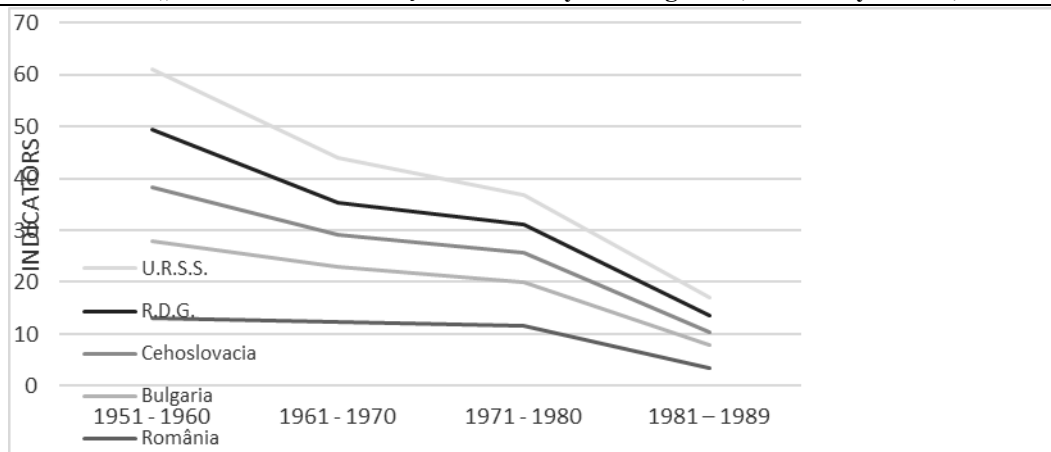
Graph 5 : Evolution of the average growth rates of social labor productivity and wages of working personnel during the period 1961-1989

From the graph above, it is clearly observed that both indicators declined throughout the period under analysis. Social labour productivity fell most sharply, from an average annual rate of 8.2% to 1.6%. Meanwhile, the “average growth rate of workers’ remuneration” decreased less markedly, from 4.8% in the first part of the analysed period to 3.6% in the final part. Another method employed was direct intervention in the distribution mechanism, aimed at keeping the population’s monetary incomes at a lower level through the abusive and unscientific system of the global agreement, the annulment of certain bonuses and monetary rights, and, starting in 1983, the introduction of the so-called system of participation with social shares, dictated more by monetary considerations than economic rationale. In international comparisons, even with other former socialist states, the Romanian economy of the last decade began to lose ground, further confirming that it was caught in a deadlock.

Table 3. Average Annual Growth Rate of National Income in Selected Socialist States, 1950–1990
-%-

Socialist countries	Period			
	1951 - 1960	1961 - 1970	1971 - 1980	1981 - 1989
Romania	13,0	12,4	11,6	3,3
Bulgaria	14,8	10,6	8,5	4,5
Czechoslovakia	10,4	6,1	5,5	2,5
GDR(German Democratic Republic)	11,2	6,3	5,6	3,2
USSR (Union of Soviet Socialist Republics)	11,6	8,7	5,7	3,5

Source: I.D. Adumitrăcesei, *The Crisis of Soviet-Type Socialism in the Economy*, *Ziarul Economistul*, no. 835, 11–12 October 1996.



Graph 6: Average annual growth rate of national income in some socialist countries during the period 1950–1990

From the graph above (Graph 4), it can be observed that Romania lost competitiveness even among some other socialist states during the socialist era. Overall, socialism was losing momentum, so its final decade can be characterised as a period of general and widespread crisis. While in the period 1951–1960 only Bulgaria recorded a higher growth rate of “national income,” in the final period under discussion, 1981–1989, Romania was surpassed in this indicator by most former socialist states [19]. Whereas in the 1970s Romania registered the highest rates of economic growth among the compared countries, starting with the 1980s and against the backdrop of generally declining economic growth rates, Romania recorded one of the lowest rates. The consequences of these imbalances were immediate: living standards and quality of life in the country declined dramatically. Daily calorie intake per capita and average daily consumption of animal protein were well below the European average [19]. At such a living standard, life expectancy could not be high; it was 4–7 years lower than in Western European countries.

This analysis is based on a report prepared by the Central Directorate of Statistics in 1981 entitled *Evolution of the Population’s Standard of Living in the Period 1976–1980* [6]. The report acknowledged the existence of inflation in the Romanian economy at the time. In 1980, the general price index of goods purchased and service tariffs for the entire population increased by 8% compared to 1975, with an average annual growth rate of 1.6% [25]. This represents recognition of inflation in a context where propaganda claimed that inflation and unemployment were phenomena specific only to decadent capitalist economies.

As can be readily observed, the highest price increases occurred in the agricultural and food products purchased from the rural markets. This is unsurprising, as price-setting freedom was higher in this sector. The observed increase approached 30% over the analysed period.

This points both to relative price-setting freedom and to the food crisis that existed during this era and deepened in the following decade. Likewise, the price index for services provided by small private artisans increased by a similar magnitude. The report notes: “*The price index of agricultural and food products purchased from rural markets during 1976–1980 remained consistently above 1975 levels, with the highest indices recorded in 1976, 1979, and particularly 1980. For the main categories of agricultural and food products purchased from rural markets, the price indices in 1980 compared to 1975 were as follows: potatoes 161.6%, vegetables and legumes 156.0%, fruits 134.6%, grapes 126.3%, melons 172.0%.*”

Despite all measures taken to supply the population with agri-food products through the socialist trade system, the price index of agricultural and food products purchased from rural markets in 1980 increased by 29.3% compared to 1975 [25]. Likewise, regarding price increases in the services sector provided by small individual artisans, it was reported that the price index for services offered by these artisans rose by 28.4% compared to 1975. The insufficient development

and diversification of the network of service-providing units within the socialist sector—particularly in rural areas—and the failure to adequately supply the continuously growing demand in both volume and structure led the population to rely on the services of small individual artisans. This was especially the case in areas such as construction, home repairs and maintenance, the production and repair of clothing and footwear, as well as certain household and domestic services [25].

Conclusions:

Our analysis confirms the universality of the presence and operation of the economic laws of supply and demand, as well as the law through which prices are formed in the market by the interaction of supply and demand. The golden dream of the communists—to halt the action of these laws—was refuted both theoretically and practically. The Romanian economy prior to 1989 exhibited a pronounced type of economic-monetary disequilibrium that we identify as inflation. A particular form, known as **shortage inflation**, which has been encountered especially in centrally planned states. It is termed shortage inflation because prices did not serve their usual signaling role in economic life; the imbalance manifested itself instead through the scarcity of consumer goods on the market.

As **Constantin Ionete** emphasized, the pressures accumulated before the Revolution became visible immediately afterwards [12]. That moment marked a turning point. The sudden political change generated new hopes, but it also initiated the prolonged struggle against inflation. This struggle lasted more than a decade, extending beyond the year 2000. It was the decade that Romania offered as a “gift” to communism—and the decade that communism claimed. Nothing could be built overnight. Economic laws are impartial and politically neutral.

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[11]. Hayek, „describes the economic order of a free society in the form of a catalaxy, a new term in the social sciences, which designates a social structure characterized by individual freedom, private property, respect for the rule of law, and mutually advantageous cooperation”, p. 11.

[3]. Silviu Cerna notes: „Nevertheless, defining inflation as a continuous and durable increase in the general price level may lead to the conclusion that an administrative blockade of price increases would eliminate inflation. However, this practice, frequently used by various states throughout history, only modifies the concrete manifestation of inflation without eliminating it: instead of prices rising, stores are emptied, queues appear, and a black market emerges”, p. 547.

[16]. The author, even during the socialist era, discusses shortage inflation and notes that the inflationary phenomenon can affect all types of economic organization. He states: „When prices are normatively fixed, inflation can still be identified through the symptoms of unsatisfied demand. Moreover, even in socialism, not every price increase constitutes inflation, but irreversible price increases, especially for common and general consumer goods, can be symptoms of an inflationary nature”, p. 221.

[16]. Professor Victor Jinga notes: „Inflation is an economic imbalance that can occur—with tension, magnitude, and short duration—even in a socialist economy. (...) The fear that some products might be lacking or prices might rise generates some inflationary impulses. Even if prices remain constant, hidden inflation can arise, caused by excess demand. Hidden inflation ensures a minimum supply of products for everyone, benefiting those with more modest means who could not cope with price increases. Controlled prices can rise, therefore, in the black market of private producers alongside the state market. Inflation becomes evident when authorities decide to raise prices”, p. 221.

[16]. The causes of shortage inflation enumerated by Victor Jinga are as follows: forecasting imperfections; errors in drafting and executing the state plan; large and prolonged deviations from financial discipline; the volume of products and goods circulation not correlated with the money

supply; inappropriate financing and investments; gap between wages and labor productivity; bank credits granted through additional emissions; state loans exceeding repayment capacity, p. 222.

[5]. „Shortage inflation was never recognized by the socialist regime. Marxists invented theoretical terminology and devised practical solutions but failed to change economic laws. The tendency of the socialist economy to rebalance through the interaction of prices and quantities is an economic law. Shortage inflation is a type of hidden imbalance, yet no less influential and strongly manifested. Even if socialist theory and practice did not acknowledge the phenomenon, it does not mean it did not exist. Shortage inflation occurs as a result of the economic system's efforts to rebalance under fixed, constant prices. Shortage inflation is a phenomenon with devastating effects on living standards. Having money in one's pocket while stores are empty implies a state of anguish in which the consumer has no choices. They do not even have the choice of reducing and rationalizing consumption, as they would under inflation in a free economy”, p. 349.

[5]. „Shortage inflation resulted in the 'flight from the leu' due to the non-recognition of its function as a medium of exchange and standard of value for the national currency. Only wages were received in lei, while ordinary, commercial, and market exchanges tended to operate under barter, goods for goods”, p. 350.

[12]. „Pre-revolutionary economic imbalances do not end as in a balance sheet at the end of 1989, but keep us engaged through their effect in driving subsequent economic processes”, p. 87.

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