

**ECONOMIC FREEDOM, REFORMS IN THE TRANSITIONAL PERIOD
AND OPPORTUNITIES FOR EXPORT FOR THE
REPUBLIC OF MOLDOVA**

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Abstract

In this article we attempt to analyze the essence of economic freedom in conditions when the national economy passes through a long and difficult period from centralized planning to market relations. Economic freedom is determined by private property, which reproduces private labor, market-based production relations. The employer (the owner of the means of production) decides what to produce, how to do it (by what technologies and methods), how much to produce at his own risk and responsibility. This means that the owner of the means of production freely chooses the type and volume of economic activity, but economic freedom is limited by the market divided into different economic groups that sell their goods and services at predetermined prices. In the absence of real economic freedom in the market, economic laws, and first of all, the law of supply and demand, are not fully executed. Free competition between producers of goods does not dominate, does not completely control the market and has a low impact on price reduction. We stress that as a result, the economy of the Republic of Moldova is still not a market economy in the classical sense. It is still in a transitional state. The low efficiency of the reforms, their half-heartedness and inconsistency led to a decrease in the country's production potential, and therefore the production sector of the national economy and the export potential have been declining since 1991.

Keywords: *market economy, private property, employer, economic activity, demand and supply, competition, commodities, export*

1. Introduction

In the early 1990s, the Republic of Moldova started the transition process from a centrally planned economy, based on state ownership dominating the national economy, coupled with a non-stimulus pay system administered by over-politicized functional structures, to a private property market-oriented economy.

Economic research is influenced by the problems caused by structural reforms, including the transformation of state ownership into private ownership, price liberalization and trade, and along with that, the implementation of a macroeconomic stabilization policy, the creation of the new

banking system, efficient reformation, the fundamental reformation of state decision-making institutions, the legislative and judicial system, the development and implementation of an adequate tax system, the introduction of some restrictions and budgetary constraints on public spending, etc.

The absence of a strategy with criteria and terms of implementation, involvement of political colorings in the implementation of reforms led to the burdening of various political groups, woven with corrupting activities to the detriment of national interests, and the realization of reforms based on the sacrifices of the population. Perverse privatization had led to the closure and liquidation not only of large enterprises, but also to the disappearance of the leading branches, and to the breakdown of national industry. Decreasing productive potential of the country had negative repercussions on the structure and volume of foreign trade.

2. Degree of investigation of problems at the current stage

The need to transform the national economy into a functioning market economy was the driving factor for the national economic science. The analysis of the structural reforms' main components has been the subject of many national and international scientific conferences, dissertations, monographs, articles published in various specialized journals. The reforms are researched by the scholars of the National Institute for Economic Research, teachers from USM, ASEM, ULIM, UCCM and other university centers. The subject of economic reforms in the Republic of Moldova is in the attention of IMF, WB, WTO, UNCTAD, and other international bodies.

First and foremost, the transitional economic reforms mean liberalization of the national economy embedded in the development plan, accompanied by specific socialist mechanisms. The liberalization of market insures equal access of all economic agents supported by price liberalization, by privatization of state property with objective to create jobs, and the start of the economic market relations. This component package also requires liberalization of foreign trade activity, granting domestic foreign investment access, creating a credit-banking market, etc.

The purpose of this study is to explore ways to approach and run these reforms in the transition period through economic freedom. This category is inherent in the nature of the market economy that makes the emergence and reproduction of the relations based on private ownership of other fundamental components, which in their entirety ensure the functionality of this economic system.

3. Applied methods

The subject of study in this article is the concept of economic freedom. According to dialectical logic, the abstraction method is used, which means that research studies its nucleus without taking into account a minor (less important), secondary facts derived for the purpose of highlighting the essence of this economic category. In addition, the research method is used to pass from the abstract notion to concrete. Economic freedom is tight to the form of ownership, the character of the work, the economic interests and the mechanisms for their realization. We continue to study

the economic reforms in the Republic of Moldova during the transition period and the formation of market relations based on private property and individual work.

Method of analysis and synthesis, the logical and historical method (economic freedom is drawn from the physiocrats to the 20th century), the method of induction and deduction, quantitative and qualitative analysis were used during this analysis.

The systematic approach of the material allowed us to notice the high degree of economic freedom in the production process in conditions when the private property became dominant in the national economy, the workforce in the private sector exceeded 65%. In agriculture the area of arable land in private ownership reached 83.9%. The share of gross domestic product on private property exceeded 56%.

More profound analysis allows us to notice that the consumer (either productive or personal) does not have the freedom of choice. The main sectors of the economy continue to be dominated by monopolies or cartels: electricity, natural gas, heat generator, telecommunications, transport services (railways), public transport, imported cars, etc.

Understandings and convergence in different forms between cartels, dominant enterprises in certain market segments continue to these days. As a result, the competitor is constrained and some companies have little access to import, export, and to the domestic market. Prices are regulated (adjusted) between vendors to such vital products as meat, seafood, sugar, teas, coffee, some imported drugs, etc. Limited freedom in some economic segments denounces the fact that the country's economy has not reached the level of a competitive market and continues to be in transition to it.

4. Results obtained and discussions

4.1. Evolution of the concept of Economic freedom

The economic content of freedom is linked to ownership, nature of the work (private or social), economic concerns, mechanisms for achieving them, multiple motivations and it finds expression in the society, in relations between the state on the one hand, and legal entities and individuals on the other hand.

All of the subjects working in the economic market are independent and autonomous in deciding on their activities. This forms the main condition of occurrence, existence, and reproduction of the market relations (money-goods-services). Economic freedom is expressed in a relative separation of business entities as owners of the production means, on private labor and its results.

Relations between the state and the economic subjects, as well as between the subjects related to economic freedom, have a special significance in the current national economic shift to a market economy. The connection between these pillars means an economic network throughout the entire economy, of the subjects that are independent in their decisions without being subjected to the arbitrary restrictions.

Systemic and organic transformations from centralized economy to an economy that is opposed to dirigisms, promoting the idea of economic freedom, separation of producers, free trade, free

competition in the free market, defines the principle of non-intervention of the state in economic relations, achieving vertical and horizontal autonomies and self-management throughout the country in all fields. Economic freedom becomes the basic, distinguishing feature, defining entrepreneurship, market economy, which should form a social layer - mediums with a social foundation providing a reproduction of goods-money relations. Studying the behavior of market economy subjects reflecting on the economic freedom is necessary not only theoretically, but also practically to create this type of economy.

The first time the concept of economic freedom was used in England and France in 17th century. The works of such physiocrats as Boisguillebert, Turgot, Quesnay have treated notions of free trade, private property, free competition between individuals, calling individual freedom as a natural right. The ideas of these thinkers have played a progressive role in the liquidation of the feudal relations and absolute monarchy of the time. These ideas were developed by such recognized authors as A. Smith, D. Ricardo and then by J. S. Mill, and J. Bentham, the essence of which reside in the free activity of the individual without state's economic intervention. J. B. Say formulated the "law of markets." The basic idea of this law is that every material good creates its own market. In conclusion, private property and free competition create an economic mechanism that works perfectly.

Adam Smith in "*The Wealth of Nations*" formulated the concept of "homo economicus", of an economic individual working under his own economic interest. The ideas of economic liberalism of A. Smith were further developed by D. Ricardo when the ideology of economic individuality became the ideology of the market economy. All ideas and concepts of the classics were generalized in the famous motto "*Laissez faire et laissez passer, le monde va de lui même!*" ("*Let do and let pass, the world goes on by itself!*"), where the market is considered as a mechanism which adjusts itself and the world market is regulated by free competition without any protection measures.

In developing of the goods production theory, Karl Marx emphasized the freedom of the owner to choose what to produce and the need of self-isolation of his private work. Communism, according to Marx, meant the "domination" of the individual freedom.

Eugen von Böhm-Bawerk, K. Menger and J. Kornai, who are the most prominent representatives and theoretical contributors to the early years of the Austrian School on marginal utilities, formulated the conception of individual autonomy, which, according to these authors, is absolute, and the purpose of it is to satisfy the needs in terms of limited resources and individual freedom.

The concept of economic liberalism and neoliberalism in the 20th century was developed by T. H. Marshall, L. von Mises, W. Eucken, M. Friedman and F. Hayek. The theory of selecting possibilities of the individual, as well as the self-regulating market principles free of any state interventions were developed describing it as the most effective management system. Producers of goods, according to L. von Mises, must have absolute freedom as a dominant of the civilization. Representatives of the "Economics" theory (P. Samuelson, R. McConnell, and others) distinguished the incomplete from the full economic freedom and defined the concept that state intervenes to broaden the limits of freedom of economic subjects.

There were authors that insisted the individual freedom should become a criterion of the

superiority of a certain production type in comparison to another. Regardless of whether it is socialism, capitalism or a combination of these systems, **the superiority is held by that system that ensures complete freedom from natural poverty and social slavery.**

Considering that economic freedom is a fundamental feature of the market economy, and it finds expression in multiple aspects of the relations of production, distribution, exchange, and consumption, as well as various forms of expression, the authors can't and don't pretend to analyze the complexity of the problem, but merely to examine the content of the economic freedom only in the process of production and exchange of goods.

However, first we have to point out that work is a conscious activity of an individual, oriented towards the change and adoption of the objects of nature in order to satisfy human needs, executed in a defined useful form, so that the development of the social division of labor inevitably leads to an infinite number of the various types of work. These different types of work are distinguished by the use of different means and production tools, by the diversity of work objects, by the nature of operations in the production process, the goals and the results obtained – use values. "Work embodied in these values, as we know, is called concrete work. Work in its capacity as the creator of the values of use, as useful work, regardless of the social forms, ensures the existence of men, an everlasting natural necessity; without it being impossible to exchange the matter between the man and the nature, that is, a human life itself would be impossible", wrote K. Marx.

Goods are a totality of significant and specific features, which make this economic category play the defining role in a market economy. These features make up as a whole, a unity. Some of these characteristics emerge out of others, which in turn become the support for the third group. From these features, we highlight the most important ones, determined by the essential coordinates of the production environment. First, the form of exchange emerges from a production process, which in turn is driven by spontaneity, oscillations of prices, according to the supply and demand, subordinates, in turn, to the maximization of the profit.

In the production of goods, when the goods are dominating in the society, we can highlight the most important characteristics of them:

- a) separation, isolation, borderline of the working process of each contractor; specialization in a particular area according to the social division of labor,
- b) contradiction between this isolated, private and social work, and hence, the need to
 - convert finished products into goods through unknown, but free market;
 - market exchanges of goods and services, consequently being free, dominate the manufacturer because it remains unknown until the exchange; therefore, after the goods have already been produced they can't be changed. If the manufacturer does not realize this, he can become bankrupt;
- c) exchange occurs only through a purchase and sale transaction under free competition, spontaneity, generating disproportions in the development of the whole level of the national economy. The law of the value along with the law of supply and demand, the competition law, become the regulators of the production process. All these attributes taken as a whole are the essence of the economic system of goods' production, and they also form the content of economic freedom of the manufacturers' of the goods.

The market economy, as a system of economic exchange, becomes prevalent, encompassing the society. However, the exchange is only a manifestation of a market economy, which is based on such defining attributes as the inviolable right to private property, the lack of means of existence for the labor force, and, hence, the need for employment in the workplace where the conditions that are more desirable. This is why there is an objective need for the society to guarantee equality between people who can work and freedom to choose where each can realize his opportunities to work and earn respective livelihoods. In the labor market when the owner of the means of production meets the individual owner and the bearer of labor, the first assesses not the work, but the potential abilities of the individual, individual's opportunities to work, which in reality can only be relatively assessed. Hence, the classic definition of the salary notion is a transformed form of labor value and, respectively, its price.

In addition to this, the democratic governance is needed for a market economy, which ensures the functioning of the legal and economic institutions and, above all, the sacred right to private property, the freedom of labor, the functioning of the market, where the law of value, competition, and the offer as a mechanism for price self-regulation, as well as the elaboration and coordination of a complex economic and non-economic rules that are respected by all economic agents and which ensure the reproduction of fairly productive relations for all forms the essence of the production of goods as an economic system and, at the same time, forms the content of the economic freedom of the goods' manufacturers.

The first and most important element, as mentioned above, is the production of goods that starts when producers, due to modern means of production, are able to produce more goods than they need for their own consumption. Production separates from the consumption. The direct purpose of production is not only the consumption but the exchange of goods at the market that can provide an added value. The added value, not the consumption, becomes the goal of the production process. Production of goods occurs when producers are isolated, separated from the rest of the economic world, and the interconnection between them occurs through the market.

The production process and the exchange form a whole, where the production process has the primary role, basically becoming self-sufficient and bearing the specific form of equivalent exchange, by purchase and sale. The primacy of production is determined by the fact that you can consume only the quantity of goods and only that type of goods that were produced. At the same time, only that produced quantity and those produced goods can be consumed through the exchange process.

More broadly, goods production is an economic form of organization of the social product, in which producers are delimited, autonomous, independent, where each manufacturer tends to specialize in the production of a good or group of goods to satisfy social consumption where necessary, and to organize the exchange through purchase and sale of these goods, under which goods are transformed into a merchandise and acquire a value. Additional value can be obtained by satisfying consumption of the society and by producing socially necessary goods.

This means:

- a) the manufacturer can produce a surplus of goods when it uses improved means of production and accrues an experience that allows him to produce more goods than its own

- consumption. The surplus product becomes a surplus value. Part of it is used for accretion of private property, ensuring extended reproduction;
- b) a relatively separate production process without any social division of labor, can't replicate market relations. These two categories coexist, and only as a contradictory unity between them forms the defining attributes of goods' production as the economic system;
 - c) due to a social division of labor, autarchic manufacturers specialize in a particular product, which becomes the object of the transactions due to the economic nature of goods. Multiple consumer needs of the society, their diversity meet the specialization in production of a narrow number of goods by each manufacturer. Dysfunctions, as well as contradictions, occur, solved by the billions of purchasing and sales transactions that take place daily in the market economy, which do not identify with the market itself.

4.2. Production and exchange of goods

The problems created by the socialist economy in the USSR were immense for the Moldovan economy in addition to its local specific problems. By 1991, when the Republic of Moldova became an independent and sovereign state, the economy of the country had accumulated macroeconomic, sectoral and enterprise problems. All the circumstances of the national economy have created a unique situation in its own way. Based mainly on the monopoly of state property and the immanent form of development of this property, the centralized planning system, the country's economy was unable to cope with the problems that emerged from the very first steps of implementing market mechanisms and instruments. The economy of the country has come to a standstill in the continuous decline. In some branches, there have been financial and material breakdowns as a result of the disappearance of the centralized distribution system, the large enterprises with double purpose woke up with exaggerated debts that occurred overnight but continued to insist on allocating planned resources without reorienting their activity to the market requirements. Instantly, it was found that baseline indicators for goods-producing enterprises, such as the technical and technological level of products in most branches, labor productivity, prices, profitability and economic efficiency, benefits, commodity competitiveness, living standards of the population were net inferior to those of the capitalist countries. Disproportions were at macroeconomic and microeconomic level. The existence of oversized enterprises oriented to the Union economy could not adapt to the requirements of the internal market. The state no longer had structural financial funds. Due to the lack of the centralized allocations, businesses ceased their activity and mass layoffs occurred. Non-competitive prices established not by market's demand and supply, but on a planned on a relatively long-term basis, caused businesses inefficiencies and bottlenecks.

The Republic of Moldova did not participate directly in the world commodity circuit and did not export goods produced in the country. The goods for export were selectively requested and checked by the representatives of the ministry of the Union that exported through the specialized Union Centers.

The egalitarian remuneration system, but at a mediocre level, created an equal civil society with a solvable demand of a relatively small size, which had a negative impact on the economic growth

rates.

All enterprises, economic, public, state and civilian organizations had a functionally managed and monitored management by one party. Management of the country at all levels was over-politicized, and, in some cases, oversized.

Being non-convertible, the USSR currency could not fulfill the function of international currency. The ruble was used as a means of payment with a special exchange rate only between the socialist countries. Black markets showed currency exchange rates according to the actual purchasing power.

The progressive deterioration of the Moldovan economy, which increased in the late 1980s, led to the economic distortions and a major structural crisis in the early 1990s. The transition from the planned economy to the market economy has become objectively necessary, and it meant the change of economic, organic, and structural system. These changes incorporated property reforms, price liberalization and creation of a competitive market, dominated by the market mechanisms. Radical changes in the country's legislation and state institutions, which were implicated in the economy, got diminished as a measure of the liberalization of economic relations.

Despite the fact that the market-based economy had grown in size since the 15th century, and the components of this production in all respects were well-known, the ex-socialist countries, including the Republic of Moldova, lacked notions, concepts, passing theories from the socialism to the capitalism.

Majority of the population with a relative standard of living, with some privations in the national problems, but with dominant communist ideology, did not know what a market economy meant, nor did it meant to become poor, and in this case - extremely poor, because of market economy was dominating the country. Also, Republic of Moldova did not have managers capable of conducting the transition to an economy that is in line with market requirements simply because in the years before 1991 there were no lucrative practices in this field. Governors were equally trained in socialism and were not ready for the inevitable risks and inconveniences during the post-socialist reform period.

In order to help the ex-socialist countries that started the transition to a market-oriented economy, the World Bank and the International Monetary Fund have proposed a reform package, called the "Washington Consensus" which provided, among others, the following structural changes in the fundamental components of the economy during the transition period:

- liberalization of prices and trade;
- state property reforms;
- macroeconomic stabilization, combating inflation;
- reforming the tax system;
- budgetary restraints of economic and banking agents, restrictions on public spending;
- reforms of the legal and public institutions;
- creating an efficient business environment.

Economic reforms based on the liberal and monetary principles have started in the Republic of Moldova in the early 1990s. The transition period was expected to be completed around 5 years, during which time the country had to shift from an imbalance to a macroeconomic balance, based

on the private ownership and competitive market mechanisms.

In reality, the expected reforms from the very beginning have been given an ideological, party-based coloring combined with the socialist heritage. The tendency for inconsistency and incoherence was primarily manifested in the elaboration of the legislature of the components that formed the base of the reform.

This was due to the fact that the governors did not represent the party as in the communist era, but different political groups with different economic interests. In this way, economic reforms have also gained political significance. In reality, the "one step ahead, two backward" half-reforms were carried out asynchronous, and some components with great delays or limited. As a result, instead of the structural reforms, ideas from the legacy combined with the import of economic policies dominated. Incoherence in theory and half-reforms in practice have threatened the model of perverse reforms.

In 1992, prices and markets were liberalized in the Republic of Moldova. This liberalization shocked the whole country without implementing the shock therapy model as designed. This first step in reforms can be undertaken only when it subordinates to a policy of economic macrostabilization through measures that lead to the revival of the economy and the establishment of effective control over the inflationary process. This liberalization of market and prices combined with macro stabilization measures determined the social cost of the fundamental reforms during the transition period, the rhythm of poverty growth, the level of health protection, the development of education, the demographic processes, the emigration of the labor force and the depopulation of the country.

The negative effects that emerged in the countries during the transition period explain the emergence of a new "recipe" of the World Bank and the International Monetary Fund entitled „Post-Washington Consensus", which was launched in 1998 with some corrections. Taking into account the practice of the reforms achieved until that time, it was concluded the macrostabilisation means creation of jobs, ensuring the economic growth of the country during the difficult transition period, monitoring the inflationary processes, etc. by an intervention of the state with some respective economic policies.

In the Republic of Moldova liberalization of prices and markets was carried out without providing measures for economic macrostabilization and inflationary processes. In the first year of reforms, the hyperinflation reached a four-digit number - 1200%, in 1995-1600%.

Chaos dominated in the economy. In 1993, Moldova received the first credit that was seconded by the economic policies conforming to the "recipe" from Washington. With great delays in 1994, the first steps of macrostabilisation have been undertaken, but the results, according to experts, have been somewhat contradictory to Washington's "recipe." Hyperinflation began to cede in 1996, in 1999 it accounted for 44%. Only in 2005 inflation was reduced to 10%.

The start of the reforms has caused mass layoffs, which together with hyperinflation drastically reduced the standard of living of the population. Unbearable social costs have caused the poverty of the population at galloping rhythms. In the mid-1990s, the World Bank in an assessment determined that 70% of the population of the Republic of Moldova lived in poverty, of which 60%

- in extreme and absolute poverty. According to Bank's forecast, if Moldova developed at the annual rate of 7% GDP by 2007, every fourth citizen would continue to live in poverty. In reality, the country has not achieved an annual GDP growth rate of 7% until now (except for 2010). The precarious situation in the country has forced mass emigration, which eventually led to the depopulation of the country. At present, Moldova is the poorest country on the continent with a GDP of 1621 USD per capita.

The property reform was among the fundamental directions of the transition to the market economy. Privatization began much later. The first reforms in the field were qualified as neo-collectivization. Then there were „vehicles of privatization” on a fair basis that had not been adopted. In the end, privatization turned into a caricature. The "Land" program for the privatization of agricultural land was named "Tomb" by the people. Excessive land batch breaks made impossible their mechanical processing. The country's impoverished population couldn't afford the overinflated costs for combining the lot batching. We won't comment the fact that a horse or a milk cow from the former farmhouse was divided between two households.

A disastrous situation was also created in the industry. The closure of industrial enterprises led to a fall of the GDP to a critical level of 30-40% compared to the previous period, after which the breakdown of the industry began in the national economy. In 1994 GDP fell by 30.9% compared to 1993, GDP in the Republic of Moldova decreased to 39% in 1995 compared to 1990. In 1990-1999 period of economic crisis, the GDP decreased by 3 times. Some branches and sub-branches have completely disappeared. The industrial share of the gross domestic product (which has fallen into irreversible disintegration) has sharply declined, and the share of the productive sector has fallen from 42% to 28% in 2009-2014. The Republic of Moldova has begun to transform itself from an industrial-agrarian country into an agrarian-industrial country. In present time, the country has become commercial only.

Perverse privatization has led to tax evasion and corruption at all levels, to an inefficient business environment, which compromised reforms. For the first time in Moldova in 2017 more enterprises were closed than open: 5000 new enterprises were opened, while 7000 of enterprises have seized their activity. Because of the unpleasant business environment, the internal investors are tightening the economy and foreign ones are not coming. Since 1995 to the beginning of 2018, 27 billions of USD were remitted to the Republic of Moldova. In the same time period, the salary fund was reported at 20 billion USD. Thus, an economical growth was registered without any development. The base for the current state economy is consumption and not investments. According to the latest pension reform, the contribution to the pension fund makes on average 33% of the employee's salary. At the same time, the pension distribution is 26% from the average salary. Natural gas is being purchased at \$174USD/1000m³, and it's being sold to the public at the rate of \$350USD/1000m³. Over 40% of the population is living beyond the poverty level, and at the same time 1% of the population is holding 95% of the cash deposits.

At present, the imitation of reforms continues, and the transition period is prolonged indefinitely. Oligarchic capitalism is establishing in the country. The state became captured and is moving toward a dictatorship.

4.3. Formation of production relations based on private ownership during the transition period

In conditions where Moldova's economy is shifting from state ownership and collective work to private property and individual work (peasants being granted land also become private owners). Work of each owner with the means of its own production (including the land) and produced goods is the concrete individual work that becomes a private direct work.

Goods produced by this work have a well-defined end goal - to provide an added value to the owner. For this, this individual private work should be a part of the social labor that countermeasures and counterbalances to the other types of work that changes in the market. This metamorphosis means that individual concrete private work is recognized directly by the society as part of necessary social labor, and this exchange between landowners who practice qualitatively different kinds of work, bear the same time a social character that is certified in the market when this work takes value as expressed in prices.

In the market economy, social work becomes a totality, a cumulative concrete, private work of various kinds, which in turn forms a social division of the branched labor. The rods of this social division are interconnected, complement each other, concurrently in one another, and can not exist without one another, forming a whole, existing in certain correlations and proportions, which ensure a constant reproduction in society.

In conclusion, the country's transition to a market economy, the work of each owner becomes a mean of production, namely private concrete work that makes work of each market agent to isolate itself. Spacers and boundaries are the subjects of this private work as a link of social work, which is developing not at the command of society, but as desired by the owner's own risk and responsibility, without having to coordinate with other manufacturers. This is the base for the freedom of the manufacturer - the cornerstone for the creation of a market economy. The only factor that causes him to get active and to be taken into account is the market situation. It becomes the barometer and compass to guide producers of goods. None of the manufacturers know or can determine the volume and structure of the social consumption, and therefore, each produces at their own risk and responsibility of deciding *what, how and how much* to produce.

The manufacturer decides what to produce in time when social consumption remains of unknown magnitude to him in terms of quantity and quality, and in terms of the kind of goods are needed by the society at the moment. Therefore, he can close business and start another one in a homogeneous area or shift entirely into another branch of the national economy according to its own calculations if this transfer will provide a greater economic opportunity.

By changing the activity, the manufacturer changes the raw material suppliers and marketing agencies, which carry finished goods, market outlets, etc.

The whole range of working links in their totality constitute private social work and form a social division of labor in the society, *which turns the whole country into one decentralized multipolar economy*.

Likewise, manufacturers independently decide not only what to produce, but how and how much

to produce, choosing the way they like what means to use, **what kind of raw material to use, what type of technology in the production process, time and the place where and when to begin the process, etc.** Without agreeing with other producers or the state, they decide from which suppliers to purchase the equipment and raw materials, as it is more convenient to carry out these operations in order to buy at the best prices.

Under its own calculations determined according to the market situation, the owner of the means of production decides how much to produce, the volume and the structure of the material goods. This volume can be reduced or enlarged; the product structure can be changed according to the supply and demand fluctuations in market prices. The owner uses the favorability market that may appear in a limited time to solve the created productive potential.

Once the goods are being produced, the manufacturer decides on the private market to sell the material assets, in which period, to whom and at what price, as it is most convenient to secure the maximum possible profit under these circumstances. In conclusion, the private owner of the means of production at his own risk and liability decides on what, how, how much to produce and when, where and at what price to sell. And there are hundreds of thousands of such producers in a market economy. In their totality, they are in an interconnecting and interdependent relation through the division of labor and market, which remains unknown to them.

On the other hand, the labor force lacking the means of existence is free to choose where the work is more convenient. Work performed at the risk of a private employer conflicts with the one that is socially necessary. And so that the work of every owner to be accepted and appreciated by the society, there is a need for goods produced by it to be put on the market and evaluated. This act determines to what extent the work of everybody becomes a part of the socially necessary labor. These private assets are given the form of value and are exchanged for other commodities under the laws of the market economy. The oscillatory prices determine to what extent the work of each is acknowledged by the society regardless of the volume of actual expenses incurred by each producer and embodied in the goods presented on the market. Price fluctuations around the merchandise make the value law to become the regulator of the social product. Thus, the value of the commodity determines the destiny of the producers, becomes the dominant element in the economic system.

The fact that the assets of private producers are recognized and valued by the society only at the marketplace, after these goods are finished, and the manufacturer cannot intervene in this case destabilises, creates conditions for anarchy that not only affects, but also ruins some of the producers, craftsmen and individual households, farmers, etc. Proportions in the economic system are ensured through permanent disproportions of different sizes in the different sectors of the national economy. There is freedom of the producer in all types of activity, the freedom of the workforce to apply his/hers possibilities to work, the freedom of the goods and labor markets, the freedom of competition, etc. the very nature and basic properties of commodity production contravene any regulation, coordination, and planning by the state.

To what extent are the private property and the private work developed in Moldova, i.e., the production of goods that began barely 26 years ago? Some features in goods-money relations in the national economy are more, and others are less developed, all depending on the level of

separation of each individual's work, and the latter depends on the degree of development of the private property.

The importance of private property as a system of complex, fair relations between people in the process of production, distribution, exchange, and consumption, which characterizes the private ownership of production means and consumer goods, determines the essence of the social-economic essence of the property in the market economy.

In the Republic of Moldova, which has recently moved to the new economic system, there are several forms of property, and the significance of these forms in society is determined by the contribution of each form to the creation of the gross domestic product in the country. According to official statistical data, the share of private property in the formation of the GDP structure was the highest - 56.4% in 2012. Calculated together with the share of foreign ownership (20.9%) and mixed property (2.0%), which are legally and de facto private, these forms reached 79.3% and were dominant in GDP formation in the Republic of Moldova in 2008, this share is 73.6% (see Table 1).

Table 1. Gross Domestic Product Structure by Forms of Ownership¹ [11]

	1995	2008	2010	2012
Public property	39,1	23,7	21,9	20,7
Private property	56,0	54,5	52,5	56,4
Mixed ownership (public and private) without foreign participation	4,0	2,7	4,4	2,0
Foreign property	0,0	5,4	-	-
Property of mixed and foreign enterprises	0,9	13,7	21,2	20,9
Total	100,0	100,0	100,0	100,0

Equally important is the division of labor in RM in the form of ownership (see Table 2).

Table 2. Distribution of the labor force occupied by forms of ownership

	2006	2007	2008	2009	2010	2013
Total:	100	100	100	100	100	100
Public	27,0	26,4	26,4	27,8	28,4	27
Private	66,2	67,1	66,8	65,5	71,6	73
Other forms	6,8	6,5	6,8	6,7	-	-

According to the data of the labor force survey and statistical business reports submitted to the NBS press release. Moldova in figures [http / www.statistica.md / newsview.12.07.2010](http://www.statistica.md/newsview.12.07.2010), NBS 2013.

Over the 4 years (2006-2009), the maximum share of working-age population engaged in

¹ National Bureau of Statistics / Press Release. Moldova figures. [http // www.statistica.md/newsview. 12.07.2010](http://www.statistica.md/newsview.12.07.2010). Statistical Yearbook 2010, 2012

production process of private property reached 67.1% in 2007, while the minimum - 65.5% in 2009, and increased to 73% in 2013. This means that the labor force in Moldova in its majority practices private work. As a result of this work, through material goods, freight, and the free exchange the society recognizes that private employment is socially necessary.

Another important aspect is the increase of fixed capital investments in the private property, which ensures a broader reproduction of it. This means profound structural changes in the total social product in the RM. According to statistical data, the total of fixed capital investments amounted to 7,899 million. Lei, of which investments in private, foreign and joint ventures - 7,345 mln. Lei. In all three forms of private ownership, the long-term assets amounted to 9,962 million. Lei in 2014².

Private ownership of the land is also dominating in agriculture. This demonstrates the statistical data in Table 3.

Table 3. Agricultural land by form of ownership in 2008³ and 2012⁴ [9-11]

	Year 2008					
	All forms of ownership:		Of which:			
			Public		Private	
	Th.of ha	%	Th.of ha	%	Th.of ha	%
Agricultural land -total:	2506,2	100	664,0	100	1842,2	100
Arable land	1821,7	72,7	265,7	40,0	1556,0	84,5
Perennial plantings	302,7	15,7	37,8	5,7	264,9	14,4
Orchards	132,7	5,3	21,8	3,3	110,8	6,0
Vineyards	157,5	6,3	8,4	1,3	149,1	8,1
	Year 2012					
Agricultural land -total:	2500,1	100	651,7	100	1848,4	100
Arable land	1816,1	72,6	264,7	46,6	1551,4	83,9
Perennial plantings	295,3	11,8	37,5	5,8	257,8	14,0
Orchards	135,8	5,4	21,8	3,3	114,0	6,2
Vineyards	141,2	5,6	8,2	1,3	133	7,2

Despite all the economic shocks caused by the domestic systemic economic crisis, as well as the negative effects outside the country, the agricultural production obtained in all categories of households ensures the food security of the country and produces surpluses for export.

Agriculture, like other branches of the real economy, is driven by private property that plays respective motivations for economic activity.

Therefore, private property in Moldova in the most important branches of economic activity has not only influenced the individual work but also decisively contributed to the fact that the manufacturers became private, making decisions what to produce, how and when it deems necessary based on their own risk. **Private property ensures the producer's economic freedom**

² NBS / Press release. Moldova figures. [http // www.statistica.md / newsview](http://www.statistica.md/newsview). 12.07.2010, BNS 2015.

³ Statistical Yearbook of the Republic of Moldova, 2008; Tab. 16.2.2, p. 332

⁴ National Bureau of Statistics of the Republic of Moldova, 2016. E-mail moldstat@statistica.md <http://www.statistica.md>

in the production process, serves as a motivational mechanism through which his economic freedom is achieved. Since private property dominates our society, the economic system is production of goods on the national level of economy. Under similar circumstances, public-owned enterprises also separate their work not on the individual, but the collective level. The motivation is expressed by collective interest and not by a centralized, administrative management.

In conclusion, in Moldova, the production of goods, as an economic system, is developed to such an extent that it reproduces private property, and with it reproduces and develops the entire economic system created under the private ownership in terms that the workforce is also good. Equally, the economic freedom is developing as a distinctive feature of the market economy.

4.4. Trade in transformation during the transition period

For production of goods to become dominant in the society, it is necessary that the freedom of the producer in the production process to continue in the process of distribution, exchange, and consumption, so that all parts of the interdependent relations of production can enable the required level of freedom. The entrepreneur, before being a producer, is a consumer of products and raw materials. The freedom of the manufacturer must be predetermined by consumer's freedom. Otherwise, the consumer has no free choice. Many sectors of the national economy continue to be monopolized. Energy, Heat Generators, Telecommunications, Railway Services, Civil Aviation, Public Transport, Beer, Sugar, Vegetable Oil, etc. Production of petroleum products is cartelized, of natural gas - is monopolized.

Many sectors of imports of goods vital to the national economy, such as meat, fish, tea, coffee, vehicles continue to be monopolized. In the classic mode, the manufacturer sells separately his goods when, where, to whom he wants, and at the prices, he thinks are acceptable. The market for manufacturers remains unknown and free. In Moldova, the existence of many producers to an extent does not mean that they can sell their goods through competition by the fluctuations of demand-supply and, respectively, prices.

Thousands of livestock entrepreneurs breed animals not only for personal consumption but also for social consumption. Dozens of vendors sell meat, but without any palpable and efficient competition, so all meat is constantly sold at the same price. Prices do not fluctuate neither from a seller to seller nor around the value of merchandise. In this case, this value law is not the stiffer regulator of the production process. More and more farms are importing and selling cars, but competition between them is missing completely. The market does not appear to have any disproportions, dislocations; the prices do not fall.

Most of the goods in the country are not made under competitive conditions. The commercial process is hampered by the various restrictive agreements of competition established by different cartels and monopolies. There are different forms that impose these restrictions: control over production, dominance in some market segments, market sharing, price arrangements, price discrimination, exclusivity arrangements, etc.

Similar arrangements are made for imports of goods. Some cartels or specialized enterprises

impose discriminatory conditions for domestic importers or foreign competitors. National or mixed export-specific cartels restrict competition or restrict the goods for export by other manufacturers. External markets become a territorial exclusivity of a limited number of cartels. As a conclusion, on the domestic market, and in the import-export operations there is convergence of behavior between cartels and enterprises. This concentrated practice constrains competition by fixing the prices for some groups of commodities or some market segments, setting up a market control, or sharing it, introducing clauses for trading competitors that contravene commercial usage, etc.

In addition to these trade irregularities, the privatization of state and collective property, as mentioned in chapter II, had negative consequences, perverse effects that led to corruption, large tax evasion. There has been a rupture between the theoretical content of the reform and the implementation model. As a result, enterprises were shut down; mass layoffs were made, some basic branches of the country's industry went into a decomposition, and country's industrial infrastructure - in the process of irreversible degradation. The economic crisis that dominated 10 years (1990-1999) has impoverished the population by 6 times according to some calculations. With the liquidation of some branches and the decrease of production in the branches that continued the activity, the share of the productive sector in GDP decreased significantly – up to 28% in 2014. In the first 6 months of that year more than 500 businesses closed their businesses, influx of foreign capital substantially increased, export potential of the country fell significantly⁵. With all that, in 2016 the trade balance of the country was negative 1,975 million USD.

The problems of ensuring equal conditions of access for the producers to the market, organizing fair competition, including in import-export processes, that would lead to oscillations in prices of the goods and ultimately a reduction, the creation of the effective state anti-monopoly levers and their implementation, the breakdown of natural monopolies by ensuring freedom of consumer's choice between providers of electricity, heat, etc., require a solution for the creation of a homogenous market. Hence, the economic freedom of the goods exchange in the Republic of Moldova is limited. Borders of the economic freedom are determined by the production process.

It is important to emphasize in our case: the lack of consumer's freedom to choose a market, lack of the liberty of the market, dominated by supply and demand, lack of the freedom of economic resources' holders, autonomy of local governing bodies, lack of mechanisms for achieving economic freedom and many others undermine the nature of the production process of the goods, as economic regulation, and substantially limit economic freedom as a distinctive feature of the commodity system. All these prove that the Moldovan economy hasn't yet reached the level of a competitive market economy, but it is in the transition state to such economic system.

This requires that government officials continue to develop and implement a set of managerial, legal, budgetary, fiscal, financial measures and regulations, with the goal to continuously improve the country's trade.

⁵ In the years 2004-2005, the EU granted GSP and GSP + trade preferences to the Republic of Moldova for export to the EU for 7200 groups of goods (out of a total of 10 thousand) with zero customs duties and some groups of goods with a reduction of 10-20% . Of all the groups of goods, the Republic of Moldova chose only 500 groups of goods that were of interest to the country.

5. Conclusions

The investigations presented in this study allow us the following conclusions:

1. The fundamental economic reforms during the transition to a market economy that began in 1991 continue in 2018. This expansion over time is explained by the difficult objective conditions in which reforms, the economic and political crises that accompanied the pace of reforms, of frequent changes in government.

Each new government came to power as a rule to evaluate negatively what its predecessors had done its predecessors or tacitly let go of forgetting and only under the pressure of necessity reforming began again. These government initiatives involved the corrupt interests of the political groups of the ruling parties. In such conditions, we have half the reforms of the partial measure of transformations and reforms mixed with the interests of different political groups that have developed unevenly, contradicting, incomplete, incoherent, lacking consistent actions and stability. As a result, Moldova has not reached the level of a country with a functioning market economy and is still in transition.

2. The "shock therapy" model was used to liberalize the market and prices without taking measures to macro stabilize the economy and fight inflation as required by the "Washington Consensus", recommended by the WB and the IMF. Other programs were also implemented, based on the sacrifices of the population. The level of social costs of the reforms was so high in 1995, the WB in its report estimated that 70% of the country's population was poor, of which 60% - extremely poor. The unbearable economic conditions in the country led to the mass-emigration of population of the most fertile segment. Then they began to emigrate whole families. If 106 people were leaving the country daily in 2017, currently this number reached to 140/day. The country became depopulated.
3. Among the measures, determined during the transition period and the creation of an efficient business environment, the "Washington Consensus" will stimulate businesses and companies in their everyday work. Under the conditions of partial transformations, bureaucracy and massive corruption, many of the expected reforms have not been fully realized and the finished ones do not meet all the required qualities of that level in the Republic of Moldova. Coming to power under pressure from various factors, Governors begin with reforms in legal system, prosecution, police. By doing this, the credibility of population towards these branches remains low.

In such situations, the inadequate business environment, on the one hand, does not only mean large financial costs, but also an unjustified time to start the lengthy binding procedures related to business, permissive acts, authorities, licenses, opinions. At the stage of business development, the nightmares of inspections and controls, reports, mandatory information, regulations that detract from the business, surpass Moldova from the countries in the region, positioning Moldova behind in the ranking of regional, continental and global competitiveness. The unfavorable environment not only does not stimulate foreign investors to come to Moldova, but also forces local entrepreneurs to close their businesses. In 2017, for the first time, the number of businesses that closed was 2000 units higher compared to the newly launched businesses.

4. The fundamental component of the transition to the market economy is the reform of state and collective property in agriculture. Property reform started spontaneously without having a strategy with privatization targets with pre-established terms. Reformation of the state property led to layoffs, while the appearance of private enterprises created new jobs. Without this consecutiveness, the liberalization of markets and prices becomes unbearable for those who have been employed before the structural changes. Reforms of state and collective property have not created so many jobs, as they have systematically destroyed national wealth. This was done not only through inefficient, faulty management (through artificial bankruptcy, liquidation and closure of businesses with hundreds and thousands of employees, the emergence of various dysfunctions and difficulties that led to the fall of production and ultimately to the bankruptcy), and through direct massive robberies. In the short period or time not only businesses, but modern branches and sub-branches (of economy?) closed down and were liquidated. Industry and infrastructure got broken down. The share of the industry, which in 1989 was around 70% of GDP, fell to 42% in 2009, and in 2014 it was only 28%. Presently, the GDP volume is 80% compared to 1989, the industrial production volume - 73%, agricultural production- 68%, and the investment volume is only 22% (according to the calculations of an opposition party).

This economic decline confirms that the ways, in which the economic reforms in Moldova have been achieved, have not contributed to the growth of the real economic sector. Losses are well above economic growth. The decline of the productive sector has contributed to shrinking of the country's export potential, and export growth in the EU is the result of a decrease in export volumes to the CIS, and, especially, to the Russian Federation.

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Rezumat

În articolul dat se încearcă să se analizeze esența libertății economice în condițiile în care economia națională trece printr-o perioadă lungă și dificilă, de la planificarea centralizată la relațiile de piață. Libertatea economică este determinată de proprietatea privată, care reproduce munca privată, relațiile de producție bazate pe legile economice de piață. Proprietarul (asupra mijloacelor de producție) decide ce trebuie să producă, cum să o facă (prin ce tehnologii și metode), cât să producă pe proprie teamă, risc și responsabilitate. Aceasta înseamnă că proprietarul asupra mijloacelor de producție alege în mod liber tipul și volumul activității economice, dar libertatea

economică este limitată de piață divizată în diferite grupuri economice care își vând bunurile și serviciile la prețuri predeterminate. În absența unei libertăți economice reale pe piață, legile economice și, în primul rând, legea cererii și ofertei nu acționează pe deplin. Concurența liberă între producătorii de bunuri nu domină și nu controlează piața, și are un impact nesemnificativ asupra reducerii prețurilor. Subliniem că, prin urmare, economia Republicii Moldova nu este încă o economie de piață în sensul clasic. Ea este încă într-o stare de tranziție. Eficiența redusă a reformelor, implementarea jumătăților de reforme, inconsecvența lor a condus la o scădere a potențialului productiv al țării și, prin urmare, sectorul de producție al economiei naționale și potențialul de export sînt în continuă scădere din 1991.

Cuvinte-cheie: *economia de piață, proprietatea privată, angajatorul, activitatea economică, cererea și oferta, concurența, mărfurile, exportul*

Аннотация

В статье делается попытка проанализировать сущность экономической свободы в условиях, когда национальная экономика проходит через долгий и трудный период от централизованного планирования к рыночным отношениям. Экономическая свобода определяется частной собственностью, которая воспроизводит частный труд, рыночные производственные отношения. Работодатель (владелец средств производства) решает, что производить, как это делать (по каким технологиям и методам), сколько производить под свой страх и риск, и ответственность. Это означает, что собственник средств производства свободно выбирает тип и объём экономической деятельности, но экономическая свобода ограничена рынком, разделенным на различные экономические группы, которые продают свои товары и услуги по заранее определенным ценам. В отсутствие реальной экономической свободы на рынке, экономические законы, и в первую очередь, закон спроса и предложения, не действуют в полной мере. Свободная конкуренция между производителями товаров не доминирует, не управляет рынком и оказывает низкое влияние на снижение цен. Подчеркнём, что поэтому экономика Республики Молдова по-прежнему не является рыночной экономикой в классическом смысле. Она по-прежнему находится в переходном состоянии. Низкая эффективность проведённых реформ, их половинчатость и непоследовательность привела к снижению производственного потенциала страны, а потому производственный сектор национальной экономики и потенциал экспорта снижается с 1991 года.

Ключевые слова: *рыночная экономика, частная собственность, работодатель, экономическая деятельность, спрос и предложение, конкуренция, товары, экспорт*

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