

NATIONAL WEALTH – PREMISE OF ECONOMIC AND SOCIAL DEVELOPMENT

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Abstract

National wealth is one of the most important macroeconomic indicators that basically highlights the material and spiritual wealth of a nation, accumulated over time. Both through the produced capital and the intangible capital, the national wealth plays a decisive role in ensuring sustainable economic and social development. This paper aims to present first the concept of national wealth, as well as the concerns and difficulties in measuring this indicator on a national and international level. Secondly, based on a World Bank study, we conducted a comparative analysis of the national wealth of 28 EU member states, insisting on Romania's place. The presented data highlight both the trend of increasing the value of the national wealth of all the 28 EU countries, but also the significant differences in the level of total national wealth.

Keywords :national wealth, produced capital, natural capital, intangible capital, wealth per capita

Introducere

National wealth is an important economic category that represents, on one hand, a result of the activities carried out during the whole period of existence of a country, and on the other hand a premise of socio-economic development, of increasing the quality of life and the country's international competitiveness. Moreover, during the development of society and the intensification of the law of ascension of human needs, the category of national wealth has become a key issue of the economic science and of the progress of society from the ontological and axiological point of view [1].

We can affirm that the process of economic growth and development requires policy substantiation by carefully analyzing the components of national wealth. These are, in fact, the resources of a nation that boosts its economic well-being. The concept of national wealth is considered to be a major part of the economic potential of a country and it is defined [2] as the total of the material, natural and spiritual resources existing at one point in society. According to other authors [3], the national wealth comprises all the goods a nation possess at a given moment and usually includes material goods

accumulated over the years, non-material goods, human resources, natural resources and financial resources. Other Romanian economists appreciate that the national wealth is a major social economic category, used to evaluate the economic potential and the level of development of a country [4].

We encounter concerns regarding the definition and measurement of national wealth in the case of some international bodies and institutions, financial institutions, etc. In the OECD concept, the national wealth is the sum of the material and spiritual assets of a nation [5].

Through the indicators regarding the size, the structure and the evolution of national wealth, it is possible to characterize the state and dynamics of a country's economy. Taking into account the previous approaches of the Romanian economists, we consider [6] that the national wealth has the following components:

- non-material wealth, including non-material items such as human capital, individual freedom, personal and collective security, unrelated stock of people etc.;
- material wealth with two components: non-reproducible material wealth (mineral resources, land, forests etc.) and reproductive material wealth (durable consumer goods, goods that primarily serve productive purposes);
- the net position regarding foreign countries, which expresses the difference between claims on other countries and the country's commitments to foreign affairs.

We also find a similar composition of the national wealth, but in a different form of presentation, in economists from abroad [7] who appreciate that its main components are:

- physical or produced capital(physical infrastructure, buildings, machine etc.);
- human capital(the education and stock of knowledge embodied in human beings within a country);
- natural capital, which includes the underground assets (minerals, fossil fuels), commercial land, fish stocks, and natural land;
- intellectual property(the value of contracts, leases, patents, software, databases, and other intangible property);
- social/institutional capital which incorporates intangible factors;

- net financial assets, the measure of the net holdings of financial assets across national borders.

In a synthetic formulation, other authors [8], consider that national wealth has three major components: natural capital, produced assets and human resources.

Concerns regarding the measurement of national wealth in Romania and on the international level

The important role played by national wealth in supporting economic and social development, in ensuring a certain level of quality of life for a nation, has determined, over time, the interest of economics specialists in defining the concept and assessing its size. In Romania, estimations of national wealth have been achieved only since the 20th century, in the previous centuries, only simple approaches to the sources of economic growth or the components of national wealth had existed.

In the following, I shall present some of the first attempts of some Romanian economists to measure the national wealth:

- N. Angelescu, in his 1915 paper „*Avuția Națională a României*”, assessed the agricultural land, the forests and the fish ponds at 19.1 billion lei, representing 70% of the national wealth estimated at 28.8 billion lei [9].
- D. Gheorghiu (in 1916) and D.G. Creanga (in 1927) conceived and published an estimation of the national wealth worth 30 billion lei of gold [9].
- According to L.Turdeanu [9], during 1930-1940 some components of the national wealth were evaluated by economists such as Roman Moldovan, Virgil Madgearu, Victor Jinga, Mihail Manoilescu and others.
- N. Georgescu-Roegen estimated Romania's national wealth on the basis of its own methodology at a minimum of 1337 billion lei, paper [10].
- In 1940, L.Turdeanu made an estimation of the national wealth, including for the first time the energy potential and subsurface riches [9].
- V. Axenciuc, on the basis of complex studies and researches, carried out the assessment of Romania's national wealth for the period 1947-1948, which he estimated at a value of 1098 billion lei in foreign currency, 1938 prices [11].

During 1950-1990, the attempts to assess the national wealth of Romania focused mainly on the calculation of the components that make up the accumulated wealth, the estimation of intangible capital's components raising particular methodological issues.

Among the international bodies, the World Bank is distinguished by its preoccupations with the establishment of a methodology for estimating national wealth, as well as with the conception of studies aimed at estimating national wealth for a large number of countries.

The system of indicators of the national wealth developed by the World Bank's specialists comprises three categories of components, as follows [12]:

1. The produced or physical capital (machinery, equipment and structures, urban land).
2. The natural capital (energy resources, mineral resources, timber resources, nontimber forest resources, crop land, pasture land, protected areas)
3. The human and institutional capital

According to the World Bank's methodology, the intangible capital is determined as a residual value, starting from the total national wealth's value.

The human capital is the sum of the knowledge, skills and know-how held by the human resources of a country.

The institutional capital represents the confidence that the citizens of a state have in the institutions and in the political environment of that state, which leads to the increase of labor productivity, and thus to the increase of the national wealth

In estimating the national wealth, the World Bank's economists are resting upon a postulate of economic theory, which defines total wealth as the actual net value of future consumption. Considering this definition, the total national wealth is estimated by forecasting the evolution of consumption over a period of time and updating the values thus obtained at the level of one reference year for the latest World Bank calculations in 2000.

The national wealth of Romania compared to that of European countries, based on World Bank's data

Table no. 1

The evolution of Total Wealth per capita, in the EU28 countries, in 2000 and 2005

EU (28 countries)	Total Wealth (2005 US\$ billions)		Wealth per capita (2005 US\$)	
	2000	2005	2000	2005
Belgium	5345	5893	521329	562363
Bulgaria	378	495	46892	63993
Czech Republic	1571	1851	152942	180820
Denmark	3672	4024	687959	742954
Germany	43269	45127	526329	547201
Estonia
Ireland	1948	2492	511867	599115
Greece	3732	4362	341860	392815
Spain	15108	17723	375243	408385
France	31897	35699	541594	586448
Croatia	620	740	137597	166497
Italy	27236	29203	478252	498277
Cyprus	241	...	347611	...
Latvia	179	279	75566	121274
Lithuania	327	454	93437	132915
Luxembourg	363	419	827661	917530
Hungary	1373	1745	134456	173007
Malta	95	104	244702	257968
Netherlands	8857	9687	556176	593547
Austria	4353	4698	543344	570654
Poland	4359	5188	113350	135941
Portugal	3004	3226	293743	305832
Romania	1383	1750	61643	80906
Slovenia
Slovakia	606	767	112471	142373
Finland	2494	2992	481870	570256
Sweden	4996	5667	563351	627950
United Kingdom	34411	39908	575979	662624

Data source: Extracted data from *The Changing Wealth of Nations, Measuring Sustainable Development in the New Millennium*, The World Bank, Washington DC, 2011, [12].

In the following, based on the World Bank's data presented in Table 1, we will analyze the level of the national wealth in the case of the 28 EU member states, taking two indicators into account: the total national wealth and per capita national wealth. Regarding the total wealth, we note that in 2005 there were very large discrepancies between the 28 EU countries. The lowest values of total national wealth were estimated in some countries

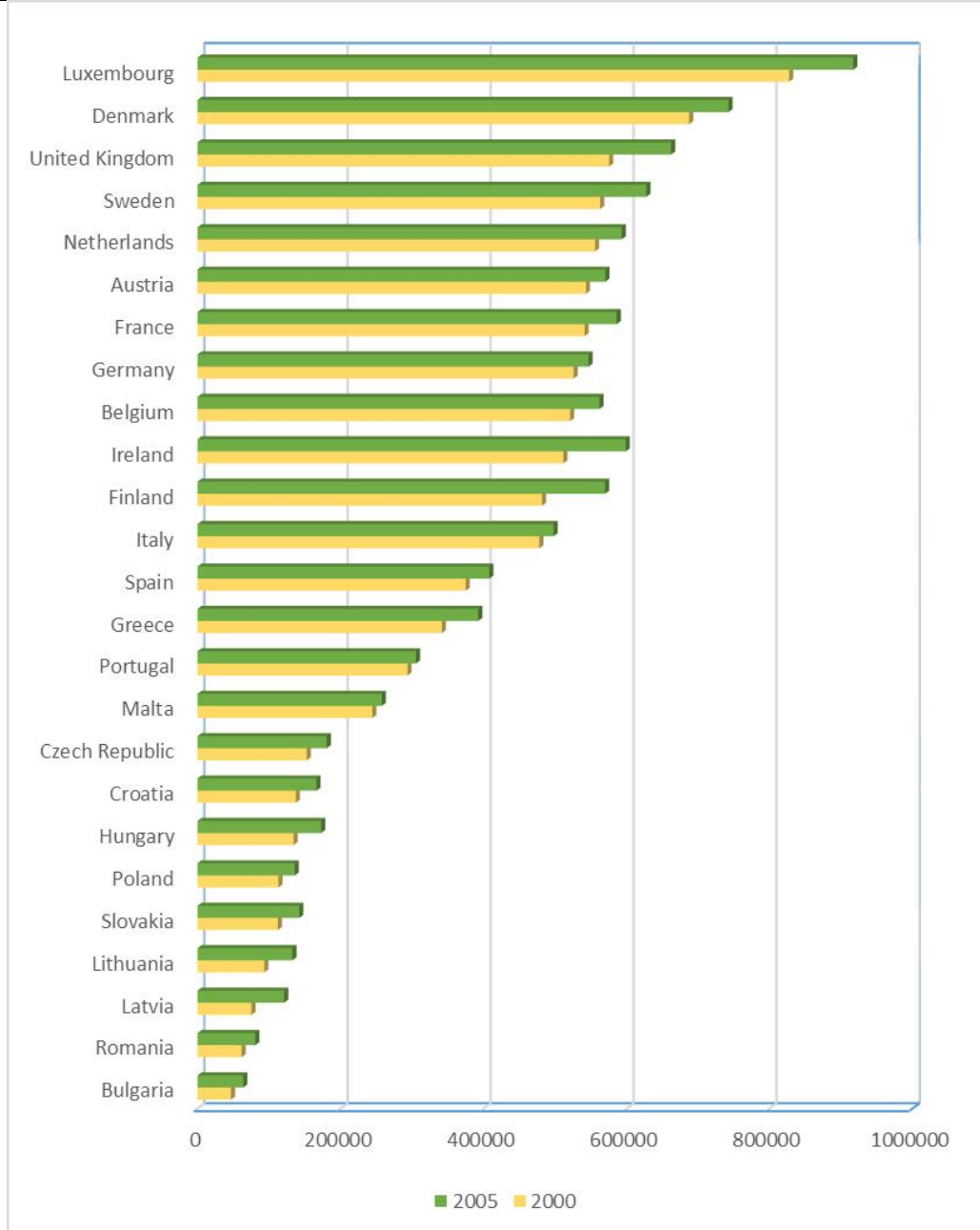
like: Malta (104 billion US\$), Latvia (279 billion US\$), Luxembourg (419 billion US\$), Lithuania (454 billion US\$), Bulgaria (495 billion US\$), etc. Also, very high national wealth values were estimated in the case of the developed European countries: Germany (45127 billion US\$), United Kingdom (39908 billion US\$), France (35699 billion US\$), Italy (29203 billion US\$) etc. Romania's total national wealth increased from 1383 billion US\$ in 2000 to 1750 billion US\$ in 2005.

Also, the data in Table 1, highlight the fact that in all 28 EU member states, the total national wealth increased in 2005, compared to the year 2000, due to the accumulations achieved during this period, both for tangible and intangible capital. The data on average national wealth per capita are much more suggestive, being an indicator that expresses the possibilities a state has to provide a certain level of economic and social development. Even though the differences between countries are not as high as in the cases of the total national wealth and per capita wealth, there are significant differences, as they result from chart 1. The highest values of the national wealth per capita were estimated for 2005 in the case of Luxembourg (917530 US\$), Denmark (742954 US\$), UK (662624 US\$), Sweden (627950 US\$) etc. whereas the lowest values were found in countries such as: Bulgaria (63993 US\$), Romania (80906 US\$), Latvia (121274 US\$), Poland (135941 US\$) etc. It can be seen, therefore, that the lowest per capita national wealth is found in the case of former communist countries, countries with a much smaller development potential than that of Western European or Nordic countries.

As previously mentioned, in 2005 Romania occupied the penultimate place among the EU member states, in terms of per capita national wealth, a situation caused to a certain extent by the low level of gross domestic product achieved in the last decades, compared to that achieved in developed European countries.

Chart no. 1

The evolution of Total Wealth per capita, in the EU28 countries, in 2000 and 2005 (2005 US\$ per capita)



Source: Authors based on Table 1.

The total value of the gross domestic product annually contributes to the consolidation of the national wealth, accumulated mainly by the gross capital formation component. On the other hand, we can say that the level of gross domestic product has been influenced by the size of the national wealth which, as I mentioned, is a premise for economic growth.

Table no.2

Estimates of Romania's total wealth and its subcomponents by economy
for the year 2005

	2005	
	2005 US\$ per capita	Structure (%)
Total wealth	80906	100.0
Natural capital	9058	11.2
Produced capital+Urban Land	14282	17.7
Net Foreign Assets	-1403	-1.7
Intangible Capital	58959	72.9

Data source: Calculated data by authors based on the information from *The Changing Wealth of Nations, Measuring Sustainable Development in the New Millennium*, The World Bank, Washington DC, 2011, [12].

Based on the data in Table 2, we will make some comments on the structure of Romania's national wealth. It can be observed that the highest share in per capita income is held by the intangible capital (72, +%), followed by the produced capital (17.8%) and natural capital (11.2%). In the case of Romania, the net position vis-à-vis foreign countries recorded a negative value (-1403 USS / capita) and implicitly a negative share (-1.7%). It should be noted that the share held by the intangible capital in Romania's national wealth (72.9%) is quite small compared to that estimated for the developed European countries such as: Germany (79.9%), France (82.1% %), Denmark (%), Belgium (79.6%), Austria (80.0%), Sweden (84.1%), etc. This higher share of intangible capital registered in more developed European countries highlights the higher attention paid to the human capital, the education and knowledge and education stock in these countries. We can affirm that the structure of Romania's national wealth, characterized by an insufficient accumulation of intangible capital, is not a modern one adapted to the requirements of sustainable economic and social development.

Conclusions

The national wealth is a very important macroeconomic indicator, that highlights the wealth a country has accumulated over time and that represents the base of economic and social development. Estimating the value of national wealth is a very complex scientific task and requires laborious calculations. For these reasons, determining and estimating the national wealth is done at high time intervals and only in countries with top of the range statistic and accounting records. The World Bank's study highlights large

discrepancies in the total value of national wealth held by the 28 EU member states. Therefore, in 2005, the total national wealth of the 28 EU member states amounted to 45127 billion US \$ for Germany and 104 billion US \$ for Malta. In terms of per capita national wealth, even though there are differences, these are lower compared to the existing ones in the case of total wealth. Romania, unfortunately, occupies the penultimate place with regard to the level of national wealth per capita, which limits its possibilities to ensure a higher level of economic and social development.

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